JUNE 17
1933

BUSINESS WEEK

Acme

SECRETARY HULL — Roosevelt's representative at the World Economic Conference now in session in London.

THE BUSINESS WEEK (with which is combined The Magazine of Business) June 17, 1933, No. 198. Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; B. R. Putnam, Secretary. $5.00 per year, in U.S.A. and possessions; $7.50 per year in all foreign countries. 20c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U.S.A. Copyright 1933 by McGraw-Hill Publishing Company, Inc.

Printed by The Schweinler Press, N. Y.

This Business Week:

"WAGES and hours first; we'll talk about production and competition and prices later," says General Johnson to industrial leaders. *Business Week* has been telling its readers again and again that this is an employment bill, but some of them simply cannot get it through their heads. They think it is a dividends bill.

The New York *Times* reports an anonymous corporation which increased dollar sales 30% in May, and profits 100%. "Sales and profits margins are expanding," the *Times* explains, "while costs are virtually standing still."

Precisely the situation the Industrial Recovery Bill was designed to cover. Big profits and small wages are economic suicide.

PRESIDENT ROOSEVELT decided, wisely, not to throw a tariff message into the closing hurly-burly of the special session. But the Washington correspondents think he was something less than frank when he explained his about-face.

It wasn't frightfully important, anyway; he never had fully made up his mind to ask for authority to make sweeping tariff changes; the only result of not getting such authority would be a delay of a few months until Congress could ratify agreements to be negotiated this summer and fall—and so on.

The correspondents who heard all this grinned a little. They still feel the President reluctantly abandoned a major point in his program.

THIS session of Congress put history-making on a mass production basis. The assembly line principle, however, was abandoned. For the most part, the bills arrived at the Capitol ready-built, requiring only the formality of an inspection and an O.K.

So many and so important are the bills affecting business, so numerous and so confusing the last-minute changes, that we have thought it a worth-while service to compile the record in one compact and convenient summary, for immediate study and for future reference. You will find it on pages 10 and 11.

SENATOR COPELAND (N.Y.)—Dr. Royal S. Copeland to a million or so newspaper readers who follow his health column—was responsible for getting air-conditioning installed in both House and Senate Chambers. The President isn't thanking him. Had it been as hot inside legislative halls as outside, Roosevelt probably would have been rid of Congress last Saturday, when Washington had one of those heat spells for which every President since Andrew Jackson has thanked God when he wanted Congress to go home. But it was very nice in the Capitol—an island of comfort in a land of misery. For one time in its history, Congress didn't want to go home.

THE gold will do us more good in the government's hands. We wish the sleuths success in their efforts. And we think gold hoarders are not merely anti-social, but foolish. Still, all they did was exercise their undoubted right under a formal contract.

THE honeymoon is over so far as Congress and Miss Frances Perkins are concerned. There will be a whetting of axes in the next session when her favorite hobbies come up for appropriations and the salaries of her pet employees are scrutinized.

Not because she hoped for big development of the shoe business by inducing Southerners to wear footgear. That is just something to talk to Southern constituents about. But her quoted remark that there was no use giving jobs in the South—it would be Democratic anyhow—that hit the Southern Democrats right in the stomach.

MADAME SECRETARY PERKINS' personal secretary, Miss Frances Jurkowitz, (correct) is no help to her chief in pouring oil.

"You cannot see the Secretary today. You must make an appointment at least a day ahead," she told a visitor.

"But I am Senator Copeland!" was the surprised statesman's comeback.

"If your secretary will telephone for an appointment it will be arranged," concluded Miss Jurkowitz, turning away to more important matters.

Senators are simply not used to being treated like that—especially by employees from their own states.

IT was the Democrats, not the Republicans, who used police court tactics in questioning witnesses on the conservation army toilet kit contract. They were anxious to impress upon Democrats in the executive branch that they must watch every step; having unusual powers, they must be unusually wary.

GENERAL JOHNSON has selected Alexander Sacks, a partner of Lehman Bros. of New York, as his chief economist. Sacks is a keen analyst, but a great arguer, which annoys some people.

The Business Outlook

The upward trend continues. There is a little uncertainty here and there while industries try to appraise what the new set-up under the Industrial Recovery Bill may do to prices and wages, making steel men, for example, a little cautious about third quarter bookings, but the hesitation hasn't affected the trend. . . . General Johnson, dynamic warrior-industrialist, shoulders his herculean job, reiterating that this is first and last an employment measure. . . . Congress, its record of prodigious work marred only by a last-minute funk over that veteran Bogey, the Veterans, has put into law a plan for recovery. Now comes the Administration's real task—to make the plan work. . . . Pressure of the folks back home pushed through a bill that, whatever its defects, points the way to a unified banking system. . . . The London Conference offers no surprises so far, the usual set oratory out front, the usual shirt-sleeve dickering back stage. . . . Bigger payrolls are boosting retail and insurance sales. . . . Electric power consumption reaches the year's peak as factories speed up. . . . Locomotives are pulling longer trains nowadays. But the railroads' heaviest load is debts, hence the imminent battle over wages. . . . Construction is cheerfully rolling up its sleeves to take a shot in the arm—public works, intended to make a million jobs by fall.

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Industry Takes a New Road

Codes, prices, wages, controls mark out a route map for business as it lines up for a fresh start under the National Industrial Recovery Act.

THE tumult and the shouting have died at Washington and the captains of industry are coming there no longer either to praise or to bury the National Industrial Recovery Bill but to submit their fortunes to the National Industrial Recovery Law, supported by its $3,300,000,000 public works section.

Back home, the tumult and the shouting have only started.

At the Commerce Building Gen. Hugh S. Johnson, Industry Administrator, is moving into action in line with Col. George R. Spalding, brought over from the War Department this week to be Public Works Administrator. At alert industry headquarters association heads are moving in several directions to bring their members into quick alignment with the new organization of business. Amid the roar of discussion, some of them seem to be trying to move in all directions at once.

From the news of what is being done by those who have kept their heads and of what Washington thinks should be done, there begins to emerge a rough pattern for immediate action under the new law.

Getting Organized

First, organization. Experienced association men are conferring among their dependable selves before their industries are summoned into special session. In some cases they are quietly preparing for shifts in leadership to clear the way of figureheads and part-time executives in face of the new responsibility. In more they are combing their rosters for the right men to go on the committees in which the new codes will start. There have been warnings from Washington against "associationeers" who see fat jobs in the current uncertainty and have started out to set up new trade bodies overnight. There have also been plain intimations that General Johnson wants to deal with experienced leaders, will not welcome fancy intermediaries.

Favored industry set-ups call for a central planning committee—made up of divisional representatives where regional or product divisions are organized—to coordinate general activities, assemble trade data and investigate complaints. For executive control they suggest a small control board of administrator to enforce the code of fair competition, police the industry and maintain contact with General Johnson. Strong efforts are being made under Washington persuasion to band closely related industries together as divisional groups under such central control. For instance, the Associated Grocery Manufacturers of America are talking of a federation of food associations under its wing. The National Lumber Manufacturers Association is similarly lining up the timber products groups and urging close association with other building materials interests.

Next, codes. They should be drawn up by a committee, fought out in the industry, taken to Washington for approval. While waiting for a tip from the Administration this week, several industries had already worked out agreements to shorten the work-week (Washington likes 8-hour days, 48-hour weeks as a maximum with an average 36-hour week over a 6-month period), to advance wages—in some cases, by flat percentages—to establish minimum wages for some classes of labor. These are the things the Administration is bearing down on, and some fairly spectacular wage raises—for these times—are expected to set the law off to a good start.

Wages Before Prices

Prices are a more ticklish subject. Agreements not to sell below cost will be enthusiastically endorsed and probably made compulsory, giving a strong boost to uniform cost accounting. Hewing to the present line of prices will be generally encouraged. Washington will stand back of a ban on the long list of competitive practices—such as the granting of free deals—that result in indirect price-slashing. Efforts will be made to maintain the advantage of more efficient units, but in some lines, such as raw materials, a certain amount of price-fixing is likely, particularly

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LAST LAP—Conferees from the Senate and House take off their coats to fight through the recovery measures in the closing hours of the special session.

minimum-price-fixing. And—shades of the Capper-Kelly bill!—approval of resale price maintenance is indicated to stop the retail use of loss leaders.

While the Administration's program calls for higher prices, it wants wages levelled up to present ones first and several industries have agreed to defer planned increases and look to greater volume for an immediate boost in income.

Of course, allotment of production quotas would help stabilization in some cases and may be encouraged, at least temporarily. Allocation of orders is a little more problematical. Better controls will be sought through limitation of operating periods. Industrial leasing of marginal plants to put them out of production is being studied as a possibility.

Industry leaders are fast realizing that there can be no key code in which all industries may be locked. The National Association of Manufacturers has issued a "model code," based directly on that of the lumbermen, which may help associations to get organized; but each industry must be guided by its own experience and necessities. That is how the Washington authorities intend to be guided on their end. They promise industry every opportunity to regulate itself within the limits set by the chief aim of the recovery act—"to increase purchasing power." For those who decline the invitation or block the aim, ample dictatorial powers are in reserve.

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CARROLL MILLER—The newly appointed member of the I.C.C. hails from Pennsylvania, where his wife was Democratic national committeewoman, and his brother-in-law, Joe Guffey, was a former national committeeman. Mr. Guffey, incidentally, led the fight for Roosevelt in the Pennsylvania primaries—which counts.

What's in the Recovery Act

The new controls are designed to regulate industry by giving industry a chance to regulate itself.

FINAL passage of the National Industrial Recovery Act completes—for the moment—a far-reaching program of emergency legislation inaugurated when the Roosevelt administration took control of the government. Aim of the measure, as stated in the preamble, is "to provide for the general welfare by promoting the organization of industry for the purpose of cooperative action among trade groups, to induce and maintain united action of labor and management under adequate governmental sanction and supervision, to eliminate unfair competitive practices, to promote the fullest utilization of the present productive capacity of industries in order to avoid undue restriction of production (except as may be temporarily required), to increase consumption . . . by increasing purchasing power, to reduce and relieve unemployment, to improve standards of labor, and otherwise to rehabilitate industry."

Two Years—Or More

Industrial control features are concentrated in one of the 2 sections of the bill, the other being devoted to the Administration's public works program —also designed to increase purchasing power and relieve unemployment. Their operation is limited to 2 years and they may be terminated sooner by Presidential proclamation. Actually, the end is not in sight.

They authorize the President, upon application of trade associations or groups, to approve codes of fair competition that (1) do not impose inequitable restrictions on participation, (2) do not promote monopoly or discriminate against small enterprises. Trade groups operating under such codes will be exempt from the anti-trust laws so far as these are in conflict with their activities. The President may further enter into special agreements with, and approve voluntary agreements among, individuals, trade, industrial and labor groups to serve in any way the general purposes of the act. In approving codes, he may reserve the power to make exemptions, direct changes, require reports as desired and to specify accounting standards.

If a trade association cannot agree on a code, the President may prescribe one for it. And, whenever he finds destructive wage- or price-cutting or other destructive activities in progress and feels drastic action necessary to control them, he may impose a license system on the business enterprises involved, and suspend or revoke such licenses in case of repeated offenses. Licensing powers, however, are limited to the first year under the act.

Once a code has been approved or imposed on an industry or trade group it becomes a standard of fair competition therein and law merchant for the concerns it covers. Violations may be restrained by injunction. Violators may be prosecuted before a federal district judge by the Department of Justice and, upon conviction, fined $500 for each offense with each day's continuance of such violation counting as a separate offense. Operation by concerns under licensing control, either without licenses or in violation of license conditions, may be penalized by 6-month terms of imprisonment as well as by fines.

To prevent foreign competition from rendering a code ineffective or endangering domestic agreements, the President is further empowered to impose quotas on offending imports, to embargo them, to place importers under licensing control.

To safeguard labor under the operations of the recovery act, codes of fair competition shall reserve to employees the right to organize and bargain collectively through representatives of their own choosing and to insure that no employee and no one seeking employment shall be required to join any company union or to refrain from joining, organizing or assisting a labor organization of his own choosing. Employers must comply with maximum hours of labor, minimum rates of pay and other employment conditions as shall be approved by the President on their initiative or as prescribed by him.

Finally the act authorizes the President to set up special control provisions for the oil industry (page 8), to transfer to the Secretary of Agriculture administration of the new law at points where it touches industries handling agricultural products, and to delegate any of his functions and powers.

We have here an extension of governmental authority such as has never been tried before in the history of the

country. The recovery act does not provide for government ownership or operation of any industry, as advocated by Socialists. It does not put the code-making power in the hands of the government in the first instance. It permits a group to organize itself and adopt its own codes if it will—whereupon that code becomes mandatory upon all those in the trade or industry involved, whether or not they join the drafting body. The essential plan is to regulate industry by forcing industry to regulate itself.

No longer will the American citizen be able to exercise his "inalienable" right to go into business merely because he has the capital, the skill, the ambition, or the foolhardiness. His going into business and his activities in business will be matters of public policy determined by considerations of public welfare. If the measure works out according to plan, private profit will become incidental to the broad purpose of providing goods, services and time to allow us all to live more fully. But there's a long row to hoe.

Taxes for Recovery

New taxes, kept out of the lower brackets, dropped into holes in the upper ones. Corporations pay 1/10% for mere existence and 5% on dividends.

THE onerous task of imposing taxes with which to finance the $3.3 billion public works program included in the industrial recovery bill has frayed Washington's nerves for weeks. Revelation to the public of what has been known to the initiate for sometime—that men of small means have to bear the brunt of taxation in a period of depression, while those of large means escape it—has radically changed the final measure from its first inception. The proposed increase in normal income tax rates has been abandoned, though the gasoline tax—at 1½¢, instead of 1¾¢ as originally set—has been retained.

On the other hand, special emphasis has been laid on methods of increasing the taxes on corporations. A 5% tax is imposed on receipts of dividends to be withheld at the source and to be paid to the government by the corporation. In order to prevent pyramiding, dividends received by domestic corporations are exempt from this tax. This follows the practice of permitting individuals to make deductions for dividends paid out of profits of taxed corporations. The method of collection at the source imitates a practice which has been followed successfully in levying corporation taxes in New York and in England.

A capital tax of 1/10 of 1% is levied on the fair valuation of corporations and is estimated to yield $80 millions. Corporations are left to declare the valuation upon which the tax is based, but a penalty of 5% will be imposed on surplus profits above 12½%. This provision is intended to check the temptation to undervaluation. In effect, this is a tax upon the right to do business levied without regard to whether the taxed concern is in receipt of profits or shows a deficit. Farmers who for many years have been forced to pay taxes on land whether they received income from it or not will look with sardonic delight upon the indignation of those who attack this tax as bearing no relation to ability to pay.

No Loss Carryover

In response to public indignation over the way in which the capital loss provision has been used to help out large taxpayers the new tax measure removes the privilege of carrying a net loss over from one year to the next. Exemptions allowed private bankers from stock loss limitations are removed. Individual members or partnerships will not be entitled to reduce their individual net income by their share in the net loss incurred in the partnership. The penalty for making consolidated returns for corporations and chains is raised from ¾% to 1%. These provisions are expected to increase the annual revenues by $15 millions.

In response to the widespread feeling that many of the tax evasions would not have occurred had the returns been open to inspection the Senate approved a La Follette amendment calling for income tax publicity but the conference turned this down and the final draft leaves publication of tax returns to the President's discretion.

The Clark amendment ending tax-exempt securities was finally defeated. The fact that this amendment was adopted by the Senate by a vote of 45 to 37 is significant and means that the well-defined demand for a reconsideration of this aspect of our financial practice has been postponed rather than defeated. The inequalities in the higher income tax brackets brought about by means of ownership of tax exempt securities are going to have another hearing. It is argued that the exemption from taxes is a contractual obligation on the part of the government, and its termination would be regarded as a default. They said that about the gold clause, too.

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HOT AND HEAVY—General Johnson swelters in the background as the Senate Committee sweats over the "Big Bill" which makes him big boss of industry.

We Turn a Corner

Industrial Recovery Bill makes a sharp break in our economic history, but it is, after all, the legitimate descendant of the Interstate Commerce Acts.

PASSAGE of the Industrial Recovery Bill marks a definite break in the economic history of the country. The comfortable theory of free competitive enterprise—that each individual, seeking his own welfare, thus will promote the general welfare—has broken down.

When promulgated by Adam Smith in 1780, the theory was a clarion call for economic freedom. It liberated people from the thralldom of paternalistic governments. The feudalism of the Middle Ages had ordered the economic lives of every man, women and child. The son of a shoemaker became a shoemaker, and the son of a coachman became a coachman. People were not permitted to move freely from the country to the village. It was a sort of planned economy but it enslaved mankind.

The ideas of Adam Smith—to permit each one to seek his own welfare in his own way, to take the government out of the private life of the people, to permit the free competitive processes to determine what industrial enterprises shall survive, and which shall die — captivated the liberal minds of the period, and have been predominant in the world's business development from that time to this.

For 200 years the American people implicitly believed "that government serves best which governs least." They have resisted every attempt to inject the government into business or even to permit the government to control business. The average American was liberty-loving, and liberty, in part, meant to him freedom from governmental interference in business affairs

The Empire-Builder Legend

It is firmly believed by the average American that the rapid subjugation of this vast country with its great resources was the consequence of the free play of men unhampered by governmental interference. Through the pages of American history there stride great empire builders who subjugated land, pierced it with railroads, mined its resources, built its cities, spanned its rivers, and left a lasting mark on industrial development. Through history also strode picturesque buccaneers exploiting the land and its people.

Only after the vices of unrestrained competition in railroad building and transportation, when investors were being defrauded and shippers were being exploited, when there flourished discriminatory freight rates, when legislatures were bribed wholesale, when farmers and business men rose jointly to protest against the economic and political decay, then and only then did the country finally consent to pass the law creating the Interstate Commerce Commission of 1887, which in a mild way, prohibited special rates and rebates, discrimination between classes of commodities, and opened the rates for public inspection.

In 1933, this seems an innocuous law. But harmless as it was, it was made even more ineffectual by subsequent Supreme Court decisions. So in 1903 the Interstate Commerce Act was fortified by the Elkins Act, which provided penalties for shippers receiving rebates, and emphasized the fact that no carrier was allowed to depart from any rates which it had filed. These provisions were further clarified in the Hepburn Act of 1906. It was not until 1910, almost a quarter of a century after the first Interstate Commerce Act had been passed, that the commission, under the Mann-Elkins Act, was given power to suspend proposed increases in rates, to fix minimum rates, control the classification of rates, and otherwise regulate the rate-making process of the railroads.

Moreover, the country had now smelt blood. It was recognized that the commission, with all its feebleness, had eliminated the most important evils, so now the commission's power was extended over telegraph and telephone companies, making it really a utility commission.

Railroads Reverse

It is one of the curious twists of railroad history that government control started in order to prevent pooling and merging of competitive lines and to promote competition, but that by 1920 it was agreed that railroad chaos was a consequence of this very competition. The Railroad Act of 1920 is a complete reversal of the former policy of the I.C.C.; it authorized the commission to provide for plans that will look toward the merging and coordination of all lines into unified systems. From 1920 to 1933 the railroad history has been one not only of governmental control of rates, labor service, and emission of securities, but also of urging the railroads to unify. The I.C.C. has worked out a plan of unifying the country's lines into 27 systems. The recent railroad legislation goes a step further and sets up a coordinator to speed unification.

Here, then, is the only extended experience we have in federal control over private industry. It started with an attempt to eliminate some of the abuses

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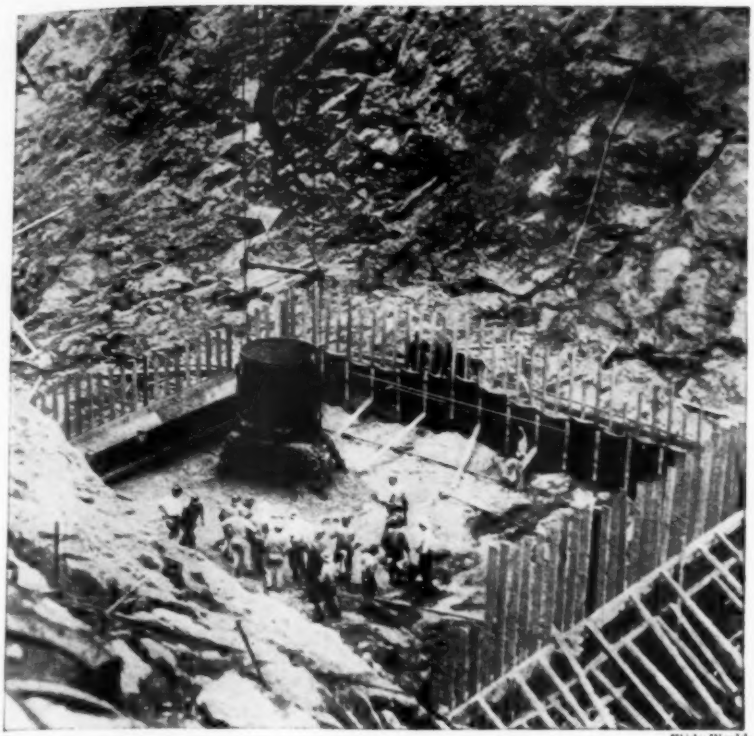
ELECTRICAL GROUP—George B. Cortelyou, president of the Edison Institute, dedicates the electrical exhibit at the Chicago Fair. Behind him is Rufus C. Dawes, president of the Exposition; at the right, one of the local hosts of the party, E. W. Lloyd, vice-president of Commonwealth Edison of Chicago.



Wide World

THAT ONE-PRICE CEMENT—In Black Canyon, a train rolled up to the dam site, a derrick picked up an 8-foot bucket of concrete mix, a workman tripped a lever, and without further ceremony, the first concrete was poured at Boulder Dam. In Washington, Secretary Ickes still thought cement prices were too high, that bids submitted by cement manufacturers were too exactly the same.

of competition but also to promote competition for public protection. It ended in almost complete control of every phase of railroading and devising schemes for monopolistic operation that will make for efficiency. There is no fear that the lack of competition will exploit the public, because the commission controls every item through which the railroad has any dealings with the public.

The Long Retreat

But outside of the field of the railroads the country has adhered generally to its orthodox economic theory of permitting unrestrained competition, though exceptions kept accumulating—labor laws, health laws, tariffs, all interfering with free operation of the law of supply and demand. But the country spent 1920 to 1929 in a relentless process of divesting the government of such control over industry which it had been forced to assume because of the emergency of the World War. "Normalcy" meant to bring back the golden age when every man pursued his own economic interest without governmental restraint or interference. Three successive administrations incessantly burned incense at the altar of private initiative, of government out of business. During the depression (1929-1933) the Administration adhered to the orthodox American political theory of waiting for the depression to end itself, of permitting industry to revive by its own initiative. The Administration defended "rugged individualism" even when this magic shibboleth for prosperity had lost its charm and had become an expression of derisive ridicule. It continued to advocate non-interference by the government even for public relief when the needs of 15 million unemployed outran the resources of private and public relief agencies.

The captivating philosophy of permitting unrestrained private initiative to develop social progress has been tarnished during the depression. Because 15 million people are unemployed, the rest are compelled now to accept any deflated wages and any onerous working conditions that will get them work. Reports of starvation wages, of intolerable working conditions, of long hours, of exploitation of workers become numerous. Conscientious and conservative employers who refuse to resort to this form of labor exploitation are forced to compete on the open market with sweatshop merchandise. Prices of commodities have gone to unbelieveably low levels. Established, well-organized firms fight for their very lives against fly-by-night organizations that spring up to produce merchandise at prices and under conditions that enslave and bring misery to millions of workers. The bulwarks that had been erected to protect labor and the codes that had been adopted to regulate competition were abandoned. Unrestrained competition reduced industry to anarchy.

Everybody Wants Control

It is no wonder the country has turned to the government and implored it to take charge. Industry wants law and stability; labor wants security and adequate wages; the farmer will submit to crop restrictions to be saved from bankruptcy. All sections of society want governmental control.

The contemplated controls, as outlined in the recovery bill, the farm relief bill, the pure food and drug acts, the new railroad bill, and the banking bill, involve far-reaching readjustments in the relationship of workers to employers, in agricultural production, in distribution of the social income.

We are confronted with a radical reversal from the orthodox American theory, that unrestrained competitive enterprise guarantees progress and protects the consumer. Experimentally, we turn to a new theory that private initiative must be restrained, restricted and directed to serve public convenience and public welfare. Unrestrained private initiative is to be abandoned; in its place is to be substituted government control and supervision of economic enterprise.

Ickes vs. Cement

The President and the Federal Trade Commission have left the Secretary of the Interior way out on a limb.

SECRETARY ICKES has some nice new bids for the cement he needs at Boulder Dam. But he sits out on the well-known limb whence you must either climb down or saw yourself off.

Cement being standardized to a point where all brands are alike in quality, it is an old Spanish custom in the industry that prices should be alike also—as similar as the price of gas at service stations, for example. Therefore, when the Department of Interior asked for bids on 400,000 barrels of cement for the big dam on the Colorado River, 10 companies submitted prices and, lo, they were the same. This was for No. 1 "low heat" portland cement, according to special government specifications (*BW—May17'33*).

In January last year the government bought 332,000 bbl. of No. 3, which is the standard grade, at $1.24. But this spring the price on No. 1 was quoted at $1.55 and on the day after President Roosevelt had addressed the Chamber of Commerce and asked industry to put itself on a paying basis, Mr. Ickes rejected the bids, slapped the cement men

smartly on the wrist for putting in identical bids, and threatened to make his own cement if this sort of thing went on.

Then he asked for new bids, this time on Grades 1, 2, and 3. But the cement industry, which lost heavily last year since its product was practically all sold below cost, remembered the President's suggestion. Another set of bids were filed by 6 producers. They quoted this time $1.55 for No. 1, just as before, $1.42 for No. 2, and $1.30 for No. 3, which is 6¢ above last September's price. And now just as the Industrial Recovery Bill becomes law, Secretary Ickes rejects the bids again and it looks as though "everybody is out of step but my son John."

To upset him further the Federal Trade Commission has just reported, after a study of the cement industry, that there is no company either manufacturing or selling portland cement which has a large enough portion of the total business to constitute a monopoly in any section of the country. The uniform prices for cement are obtained through a multiple basing point system, that has been developed by the Cement Manufacturers Protective Association. Under this system all companies arrive at the same delivered price, but although this practically destroys the value of calling for sealed bids, the investigation has not disclosed unlawful agreements among the manufacturers.

However, the commission is giving further consideration to possible violation of the anti-trust laws involved in activities of dealer associations tending to restrict the sale of cement by manufacturers to recognized dealers, through controlling terms of sale and methods of distribution.

There seem to be no grounds on which a government department can prove that cement now costs too much and that Uncle Sam should go into the business and show the industry how to sell it cheaper.

Soft Coal Wages Rise

Those bituminous sales agencies are giving the workers a break.

Northern Coals, Inc., the second regional sales agency actually to start operations in the bituminous field, began business on June 7. On June 9, it followed the lead of Appalachian Coals, Inc., and recommended to all members that wage rates be restored to former levels. Action came promptly when Cambridge Collieries Co. raised its scale from $2.88 to $3.28 a day, affecting 1,200 men. Hanna Coal Co. also raised the rate for its 1,100 miners, and other mines fell in line for more than 2,000 additional workers.

International News

ONE KIND OF CONTROL—Fire explodes over Signal Hill in the Long Beach oil field in California, killing many, burning tanks and derricks.

Washington Oil Well

The industry expected a gush of government control, but all it gets is a little extra grease for the regular industrial control machinery.

To report the progress of oil control during the last period of the Big Bill game in Washington calls for Finnegan, himself. It has been "off again, on again, gone again" so many times that oil leaders themselves are somewhat confused about its final status.

The last minutes of play saw oil control again lined up in the general industry control bill, but without any special production-, price-, or market-fixing features.

From the first, it was felt that something special would have to be done about oil. It was a natural resource, as well as a big business, which gave it special problems, and it was out of control. Hence the Ickes conference, the special bills paralleling the general industrial control bill which would have capped overproduction and underpricing with broad federal control. Culminating in the Marland bill, these moves for federal intervention were sidetracked, one way and another.

The major interests, naturally enough, wanted little or no federal intervention, were willing to take their chances under the general provisions of the Big Bill. The rump independents, on the other hand, were "opposed to monopoly" and everything else, wanted only what would embarrass the big companies. Caught between were the thousands of "regular" independents neither big nor politically important. They sought evenhanded federal control over an industry notoriously unable to police itself under existing statutes, and they wanted some sort of tariff protection.

Last week, they watched helplessly while the Administration reduced the broad Marland bill to an amendment to the industry bill which would have given the President discretionary power over petroleum marketing and production. And they watched that rider dropped because it imperilled the passage of the Big Bill itself. Their leader, Wirt Franklin, could not attend the funeral of their hopes in Washington: his company went bankrupt, fulfilling all too soon and too personally his prophecy for the independents generally.

As now constituted, the only special oil provisions in the Big Bill permit the

Presidential prohibition of "hot" oil in interstate commerce; authorize the President to initiate proceedings before the Interstate Commerce Commission for regulation of pipe line operation and rates; and permit proceedings by the Department of Justice to divorce from their holding companies pipe lines whose practices or rates to independents tend to monopoly. Thus the sizably important majority and the politically important minority get about what they want. The big fellows are free of federal intervention within state lines, and of any more federal control than any other industry, which is plenty, but presumably is only temporary. And the arrogant "independent independents" get the pipe line clause they would like to use against the big fellows.

Pipe lines—and federal officials have so admitted—are not common carriers" in the usual sense of the term. Rather, they are a part of refinery facilities, and to open them to equal use by independents is no more logical or reasonable than to require that big companies permit outsiders to use their costly fractionating equipment, or storage tanks, or service stations.

Superficially, this is the dirtiest kind of political gesture, given in gratitude for Independent Elliott's management of the Roosevelt-McAdoo campaign in California. Acually, it may have been a shrewd stroke, comparable to the best in an Administration professionally adult.

In all the to-do about proration, there have been certain interests which have given lip service to the principle while they promoted or condoned its violation. These survivors of the jungle age of oil believed in proration for competitors only.

The pipe-line provisions, evil-smelling as they are, may turn out to be a very effective weapon with which to enforce the "voluntary" cooperation of these saber-toothed interests. It is up to the President.

Rail Pay

While the government concentrates on putting wages up, the railroads take a firmer grip on the ax.

BARRING a sudden change of plan, the railroads will concentrate on putting into effect by Nov. 1 a wage reduction of $22\frac{1}{2}$% in basic rates. Under the agreement reached last December, they were left free to serve notice any time after June 14.

Rail executives have been very secretive concerning their probable course of action because they feared that the White House might intervene to block their attempt to cut wages lower than the "temporary" 10% deduction that has been in effect since Jan. 1, 1932.

The railroad unions will, of course, resist the proposal as premature, but it is probable that the issue will not be determined until the upward trend in business has had a chance to prove its endurance. The managements, however, have to reckon with the fact that full wages will be automatically restored Nov. 1 unless a new agreement is reached in the meantime either to continue the 10% deduction or to apply a new wage cut.

Dill Relents

No friend of Radio Corp., still he killed a Western Union-Postal merger until R.C.A. gets a chance.

WASHINGTON—Both anti-trust laws and the White Act of 1927 prohibit the merger of telegraph and cable companies. The House Interstate Commerce Committee slipped into the railroad bill an amendment which would have permitted a merger of Postal and Western Union. The House adopted the amendment. Wall Street saw a flurry in telegraph securities. But the conference committee of House and Senate threw the proposal out, and the merger cannot be made.

Behind this brief recital of facts runs a story of big business and its maneuvers. R.C.A. now contracts with Western Union for its pickup and delivery service. I.T.&T., which holds Postal, also controls Mackay Radio & Telegraph Co. So the proposed merger would have left R.C.A. out on a limb, at the mercy of a single company. It might possibly organize its own messenger service, but there wouldn't be much it could do about delivery from seaboard to interior points.

Senator Dill was chairman of the conference committee. He is no friend of R.C.A. but he "couldn't do *that* to them."

Now it looks not improbable that before Congress meets in regular session this winter, a 3-cornered deal will be worked out that will take care of R.C.A. Then Congress may permit a merger—exacting as a price closer supervision over telegraph, cable, and radio rates, possibly insisting, also, on a clearer definition between the jurisdiction of the Radio Commission over broadcasting, and the I.C.C.'s jurisdiction over commercial communications.

Wide World

AND NOW, THE GAS STATION HOSTESS—The same company in Cleveland which gives the world lubricated gasoline now employs 10 professional models who mince up to the customers with road maps and a cheery word about the service. Next thing you know, there'll be a free lunch counter.

What Congress Did:

MONEY

PURPOSE: To raise prices, increase purchasing power, end hoarding.

METHOD: By credit and currency expansion through authorizing President at his choice to (1) direct Federal Reserve to buy up to $3 billions of government bonds in open market operations; (2) order Treasury to issue up to $3 billions in notes secured only by the credit of the government and redeemable at 4% a year to replace government bonds; (3) reduce gold content of the dollar by as much as 50%; (4) undertake free coinage of silver in a fixed ratio to gold; (5) accept $200 millions in silver in payment of foreign debts. By embargoing gold exports. By penalizing all persons holding more than $100 in gold after May 1. By making government and private obligations payable in legal tender instead of gold.

ACTION: Embargo on gold exports ordered April 19. Executive order authorized by Emergency Banking Law, Mar. 9 (and imposed Apr. 19). Penalizing hoarding authorized by Emergency Banking Law (and put into effect Apr. 5). Farm Relief Bill permitting credit and currency expansion signed by President May 12, open market operations begun by Reserve system May 23. Resolutions cancelling gold clause in federal and private obligations signed by President June 5. Prosecution of gold holders under cautious consideration with government anxious to avoid execution of its threats.

BANKS

PURPOSE: To halt nationwide run on banks and international run on gold. To strengthen the banking system and modernize it to meet the country's needs.

METHOD: By declaring a "bank holiday," at the close of which the Treasury was empowered to license sound national banks, to re-open some with restrictions, to keep unsound ones closed for reorganization or liquidation. By improving liquidity of reopened banks by broadening rediscount privileges and making new Federal Reserve currency available for issue against certain types of assets (and for U. S. bond-secured 90-day loans to individuals, partnerships and corporations). By authorizing R.F.C. to assist in bank reorganization through purchase of capital stock. By setting up a system of "conservators" to reorganize or liquidate closed banks. By obtaining state cooperation to apply similar measures to state banks. By bank reform legislation to permit statewide branch banking where states allow it; to divorce commercial banks and their security affiliates; to force private bankers to choose between deposit and investment business; to facilitate reorganization of closed banks; to insure fixed proportions of bank deposits (100% of first $10,000, 75% of next $40,000, 50% of all above $50,000) through Federal Bank Deposit Insurance Corp. supported by bank assessments and Treasury appropriation, effective July 1, 1934—with temporary 100% insurance on deposits up to $2,500 effective Jan. 1, 1934.

ACTION: Emergency Banking Law signed by President Mar. 9. Bank holiday ended Mar. 13. Bank reorganization and liquidation now in progress. Bank Reform Law sent to President for signature.

PROTECTION OF INVESTORS

PURPOSE: To outlaw worthless securities, control speculation.

METHOD: By requiring sellers of securities offered to the public in interstate commerce or through the U. S. mails to register all issues with the Federal Trade Commission 30 days in advance of issue; and to supply that body—and also investors—with full information on assets back of the securities, conditions of issue, commissions or discounts paid to underwriters, etc., with officers and directors of issuing concerns liable to criminal prosecution for misstatements or omissions unless they can prove that they had reason to believe the facts to be truthfully and fully stated.

ACTION: Securities Law signed by the President May 27.

INDUSTRIAL CONTROL

PURPOSE: To increase employment and wages and hasten recovery through prevention of destructive competition in business.

METHOD: By giving President or his agents emergency authority for 2 years to: (1) approve codes of fair competition submitted by industries agreeing on wages, hours of labor, trade practices, price stabilization, sales above cost, production quotas, etc.; (2) impose such codes on non-agreeing industries; (3) enforce codes under a licensing system (limited to 1 year) where necessary; (4) set aside anti-trust laws so far as they conflict with approved codes; (5) control imports by license quota, or embargo to prevent them from upsetting recovery program; (6) prohibit interstate shipment of petroleum or petroleum products produced or withdrawn in violation of state laws, and regulate oil pipe lines. By prohibiting employers from requiring workers to join or to refrain from joining organizations for collective bargaining.

ACTION: National Industrial Recovery Bill **sent to President** for signature.

PUBLIC WORKS

PURPOSE: To create employment, increase public purchasing power.

METHOD: By expending $3,300,000,000 through an Administrator of Public Works to develop a wide range of federal projects left to President's choice, to pay up to 30% of the labor and materials costs on state and municipal projects, and to build state-aid highways, with service cost on this debt to be met by special taxes as determined by Congress and cancelled on repeal of prohibition amendment releasing liquor tax receipts. By setting up "Tennessee Valley Authority" to operate Muscle Shoals, develop and sell power therefrom, improve flood control and navigation in the Tennessee Valley, promote industry and agriculture in that area. By special forestation and flood control projects employing 250,000 to 275,000 jobless.

ACTION: Public works included in Industrial Recovery Bill sent to President for signature. Tennesse Valley Bill signed by President May 18. "Forest Army" Law signed Mar. 31, numerous camps established.

DIRECT RELIEF

PURPOSE: To prevent suffering through depletion of state treasuries by providing direct relief funds to states. To coordinate federal emergency relief activities. To provide direct and permanent aid to unemployed seeking jobs.

METHOD: By providing $500 millions for this purpose through the sale of R.F.C. debentures, $250 millions to be available on basis of states' approved needs, $250 millions on basis of $1 of federal help for every $3 spent for relief by applicant states. By transferring relief fund administration from R.F.C. to an Emergency Relief Administrator. By setting up a national employment

Recovery Legislation

system to coordinate and promote state employment services and to facilitate interstate shifting of workers.

ACTION: Wagner-Lewis Relief Law signed by President May 12. Wagner National Employment Service Law signed by President June 6.

FARM RELIEF

PURPOSE: To balance agricultural production and consumption so as to place farm products prices on a pre-war parity with industrial prices. To increase farmer's purchasing power.

METHOD: By giving Secretary of Agriculture free hand to limit acreage and raise crop prices by any one or more of several methods—leasing land out of production, applying the domestic allotment plan, licensing, taxing processors, trading surplus cotton for cotton acreage reduction, entering into trade agreements with producers and processors, etc. By merging farm credit agencies under single Farm Credit Administration and setting up thereunder a new system of production credit corporation and cooperative banks for the farmer.

ACTION: Farm Relief Law signed by President May 12. Supplementary Farm Credit Law sent to President for signature.

MORTGAGE RELIEF (Farm)

PURPOSE: To lighten farmer's mortgage debt, prevent foreclosures, liquidate frozen assets of farm mortgage holders.

METHOD: By offering to exchange liquid, interest-guaranteed Federal Land Bank bonds for frozen mortgages where mortgagees agree to write down principal. By cutting interest rates on mortgages taken over by the government and giving the farmer a moratorium on payments.

ACTION: Farm mortgage relief provisions incorporated in Farm Relief Bill signed by President May 12.

MORTGAGE RELIEF (Homes)

PURPOSE: To lighten the mortgage burden on small home owners, prevent foreclosures, liquidate frozen assets of mortgage-holder.

METHOD: By setting up Home-Owners' Loan Corporation to exchange interest-guaranteed bonds for mortgages up to 80% of homes valued at not more than $20,000. By cutting interest rates and postponing interest payments on mortgages taken over and spreading principal payments over 15 years. By providing cash loans to mortgagors in special cases where mortgage holders refuse to exchange for bonds, and for effecting the recovery of recently foreclosed homes.

ACTION: Small Home-Owners' Refinancing Act signed by President June 13.

RAILROADS

PURPOSE: To prevent railroad bankruptcies, protect investors in rail securities, reorganize the roads on a more efficient and economical basis and eliminate unnecessary duplication of service and faculties; to make a study of other means of improving conditions surrounding transportation in all its forms and prepare recommendations.

METHOD: By setting up a Federal Coordinator of Transportation with power to promote or direct agreements on economies in railroad competition and service with the aid of 7-member coordination committees presiding over each of 3 regional railroad groups. By setting aside the anti-trust laws to permit emergency agreements but forbidding dismissal of employees to effect economies. By giving the I.C.C. jurisdiction over holding companies. By repealing retroactively recapture provisions of Interstate Commerce Act. By urging reorganization, where needed, under revision of bankruptcy laws enacted during Hoover administration, for application to railroads.

ACTION: Rail Coordination Law sent to President for signature.

PROHIBITION REPEAL

PURPOSE: To fulfill party platform pledge, stimulate certain lines of business, and provide new tax sources to meet increased government expenses.

METHOD: By revising the enforcement act to permit the sale of 3.2% beer (and wine) prior to repeal and licensing brewers to make such beer on payment of $1,000 annual fee per brewery and $5 tax per bbl. (31 gal.) with an import duty of $1 per gal. By submitting repeal of Eighteenth Amendment to state conventions and, upon ratification, permitting state-regulated sale of liquor accepted as "intoxicating in fact."

ACTION: Beer Law signed by the President, Mar. 22; effective, Apr. 7. Repeal resolution adopted by Senate Feb. 16, by House Feb. 20.

TAXES

PURPOSE: To provide funds for servicing the debt on the new public works program. To make certain changes in the distribution of tax burdens.

METHOD: By imposing new taxes of 5% on dividends, 1/10% on declared value of corporations, 5% on excess profits over 12½% of declared value. By increasing gasoline tax from 1¢ to 1½¢ a gallon. By preventing a taxpayer from carrying over a net loss of one year to reduce his net income subject to tax in a succeeding year. By denying private bankers the right to take deductions from ordinary income for losses on stocks and bonds held for 2 years or less. By prohibiting members of a partnership from taking up in personal tax returns distributive shares of partnership losses in stock and bond transactions. By increasing the penalty for making consolidated returns for corporations and chains from ¾% to 1%. By transferring the 3% electric power tax from the consumer to the power company. By authorizing the President to reduce first-class postage rates to 2¢ and to make changes in air mail rates.

ACTION: Power-Postage Rate Law sent to President for signature. All other taxes noted above included in National Industrial Recovery Act sent to President for signature.

ECONOMY

PURPOSE: To help balance current budget by cutting government costs.

METHOD: By slashing departmental budgets 25%. By cutting government salaries 15%. By reducing veterans' benefits. By consolidating government services (to improve efficiency as well as make savings).

ACTION: Grant of broad powers to President to effect such economies voted by Congress Mar. 16. Executive orders reduced federal salaries Mar. 28, cut veterans' benefits Apr. 1. Independent Offices Law, modifying and limiting action on veterans' benefits but providing for some additional savings brought up at end of session. Departmental reorganization under way.

Iceman's Answer

A new ice box with forced circulation gives the industry a chance to sell mechanical refrigerator efficiency in the lower price brackets.

One of the great sales points of the mechanical refrigerators is the kitchen economy made possible by longer "left-over periods." Roast beef, served on Sunday, need not immediately enter its familiar cycle with cold roast beef on Monday and hash on Tuesday. Housewives may avoid menu monotony, hold over leftovers for days. Ice refrigerators, burdened by the false theory of "saving ice," found such competition difficult to overcome. Good enough when fully loaded, their efficiency melted rapidly with the ice.

There have been several attempts to put the ice refrigerators on an equal footing in efficiency with the mechanical (*BW—May24'33*) for commercial use. Now comes a domestic unit developed by the Tennessee Furniture Corp. and patented last month.

In an ice box, cooling depends on 2 factors: the amount of ice in the box, and the speed with which the inside air circulates over the ice. The Cavalier refrigerator solves the problem of varying quantity and circulation by speeding up the natural circulation with a small fan.

Forced Draft

This fan, mounted in the partition between the ice chamber and the food compartment, is operated by a little 20-watt motor, controlled by a Penn bimetallic thermostat. When the temperature on the top shelf of the food compartment rises to 49 degrees, the fan cuts in, accelerating the circulation until the temperature reaches 46 degrees, when it cuts out.

Operating intermittently, current consumption is less than that of the ordinary night lamp. In hot weather, or when the ice gets low, the fan runs off and on for a total time of 5 hours out of the 24. Which, in Atlanta, means about 3½ kilowatt hours a month, or about the cost of a Sunday paper.

Ice consumption runs from 18 lb. a day at 70 degrees constant temperature to 42 lb. a day in Phoenix, Arizona, where the mercury jumps from 75 degrees at night to 113 in the afternoons.

Fan and thermostat are set and tested at the factory, require no attention, although they can be serviced with a screwdriver. The stainless steel motor shaft runs in bearings of copper, lead, and graphite, needs oiling only once a year, but can run for 20 years without any attention if necessary. In case of power failure, the refrigerator will operate as well as any box under natural draft. With the fan, as little as 10 lb. of ice will keep food safe.

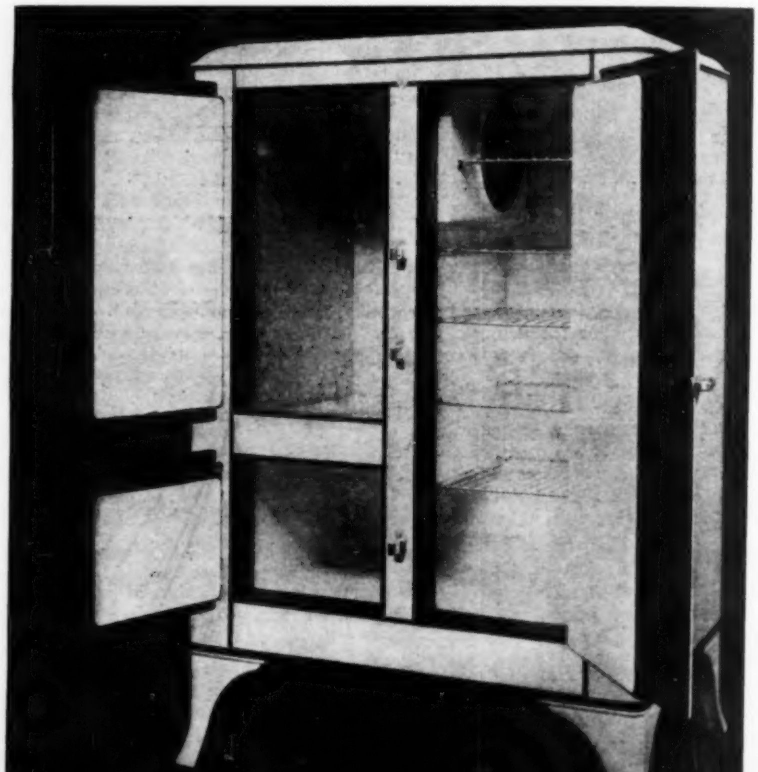
Priced at $47.30 for the 100-lb. size ($55.90 all porcelain) the box costs about half the price of mechanical refrigerators of equivalent size, gives the ice industry another selling weapon in its fight for a share of the undoubtedly large market for service approximating that of mechanical refrigerators at a lower price.

Skates and Bikes

Fashion—with, perhaps, a nudge from economy—turns the clock back to roller skates and bicycles.

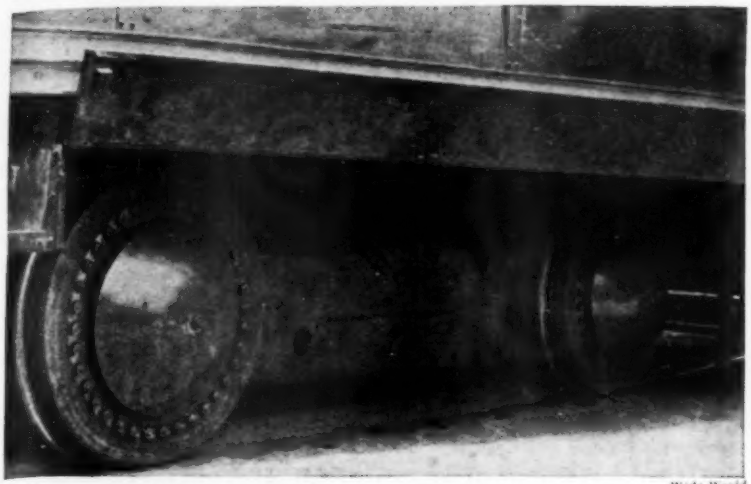
Adult America is once more satisfying its appetite for amusement and recreation with roller skating and bicycling, sports that have not claimed the attention of many adults in over 30 years. Manufacturers of these means of locomotion have had to swing into large quantity production on adult sizes, after years of supplying a demand confined almost entirely to juvenile sizes. Department stores, sporting goods dealers and the retail stores of mail order houses in territories where the craze has "struck" are cashing in. Prevailing economic conditions curtailing appropriations for other forms of amusement have had something to do with the revival. So have the mysterious ways of fashion. And so has a lot of ballyhoo by the stores.

No particular city can claim the credit for the roller skating revival. During 1932 forerunners were reported fom Philadelphia, Cleveland, Kansas City and several smaller cities, where sales of roller skates in adult sizes increased materially. This spring the craze has hit with a bang in a number of places, but particularly in New York, Detroit, and Los Angeles. Wherever it does hit, smoothly paved streets, sidewalks and parkways are often so crowded with skaters, that the police have to establish new traffic rules. New York's Park Avenue doormen are improving their waistlines in the daily round of



The Business Week

COOLER ICE BOX—The fan between the ice chamber and the food compartment operates by thermostat, gives better ice refrigerator performance.



Wide World

QUIETING THE TROLLEY—One of the trucks of the experimental street car demonstrated in Brooklyn. It has rubber resilient wheels, a worm gear drive.

adjusting straps for lady tenants bound to or from the Central Park Mall.

Sales reports by concerns manufacturing or retailing roller skates reflect the rapidity and momentum of the fad. Demand struck so suddenly that the Chicago Roller Skate Co. had to crowd a year's production into 3 months to supply its regular customers. A. G. Spalding & Bros., largest manufacturer and retailer of sporting goods, reports that some stores are showing roller skate sales 60% to 80% above 1932. Both the large mail order houses report exceptional increases. Wm. Filene's Sons Co. (Boston) finds its roller skates sales increased materially. John Wanamaker's has already doubled last year's figure. Bloomingdale Bros. moved 4,000 pairs in adult sizes.

Several factors have contributed to the renewal of interest in bicycles. In California the revival has been led by the motion picture ladies—for no good reason. The bike is also coming back as an economical vehicle for errands and shopping expeditions and for commuters in house-to-station service.

Both manufacturers and dealers comment on the exceptionally strong demand for women's bicycles. One manufacturer finds this demand double last year's with a 30% increase in orders for all types. Sears, Roebuck & Co. and Montgomery Ward & Co., collectively credited with distributing approximately 40% of the nation's bicycle production, have noted the upswing.

Quiet Street Cars

It takes time and money to produce a car for the new competition at a price low enough for replacement.

After 3 years of experimental work and the expenditure of half a million dollars, the Electric Railway Presidents' Conference Committee announces a new type of street car deliberately designed to increase street railway earnings in an era of congestion and competition.

On an outlying track in Brooklyn, there has been operating a street car which looked like any other street car, but which did not act like any street car ever seen. To begin with, it was quiet; so quiet that the predominant sound was the hiss of the trolley on the wire. It was fast: astonished automobilists, accustomed to beating trolleys at traffic lights, found it couldn't be done. The new car had 16-cylinder performance under its flivver hood.

Under the conventional exterior of this laboratory car are concealed some radical improvements in street car design. Weight has been considerably reduced, a complete car of this type will weigh only 25,000 lb., as against 35,000 lb. to 40,000 lb. This means greater acceleration, less wear and tear on rails, reduced maintenance costs.

Quiet has been gained by the plentiful use of rubber, in springs, between steel parts, in resilient wheels which do much to cushion the impact of steel on steel. Worm gears eliminate the usual grating and howling. The experimental car is equipped with combination air-hydraulic brakes, but new hydraulic and air systems will be tried out.

General Electric and Westinghouse contributed new motors and controls which permit double the ordinary acceleration rates, easily outdistancing automobiles but not causing standing passengers any undue discomfort.

So far, development has been aimed at the major structural problems: light weight without heavy cost, quick getaway, quiet operation; attention has been concentrated on the chassis. Now comes work on the body. Lowered center of gravity and streamlining, arrangement and appearance will be worked out in the next year.

Directing the development work, is Prof. C. F. Hirshfield, research engineer of the Electric Railway Presidents' Conference Committee. Backing him in his efforts, are 23 operating companies together with the most important equipment makers.

Baby Elevator

Otis, big elevator maker, decides there's a fine market for a standardized automatic dumbwaiter for retail stores.

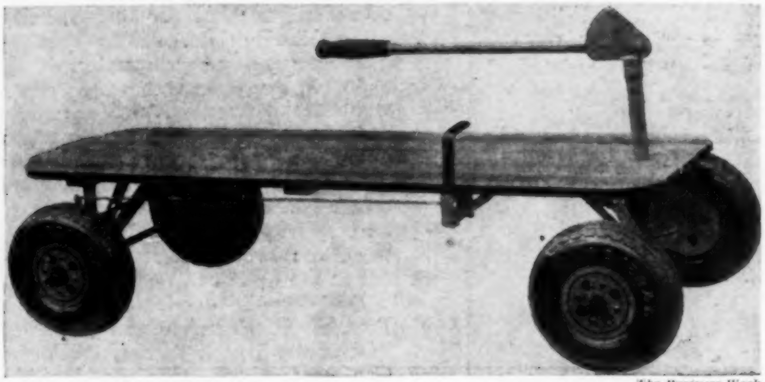
For years, Otis Elevator Co. has been building elevators, individually engineering them for specific installations. Now, the company is about to embark on a merchandising venture, a baby elevator, standardized to fit all installation situations.

The baby elevator—dumbwaiter, if you insist—is aimed at an untapped market, estimated at something over $50 millions. To be sold chiefly to retail stores, its big sales point is conversion of storage space to selling space.

Grocery stores, especially, use a great deal of valuable first floor space for stocking fast-moving supplies. The new Otis under-counter dumbwaiter makes it possible to keep supplies in the basement without delaying replenishment of sales-bins, making more room for counters and for displays.

Working from recommendations by the architectural departments of chain stores, Otis engineers applied their own experience to the problem, devised a dumbwaiter which occupies no selling space (because the head fits under a standard height counter) which carries up to 300 lb. from floor to floor.

Made as a unit in 2 standard sizes, the whole thing is self-contained, can be installed by simply cutting a hole in the floor, and moved with equal facility. It needs no pit, no unsightly overhead structure. Push buttons operate regular elevator controls, sending the car back and forth between the first floor and the basement without ropes or yells —although speaking tubes and buzzers may be had if desired. Ball and roller bearings are used throughout, and gearing is of the same quality and materials of full-sized elevators. It is inexpensive in first and operating cost.



The Business Week

TAIL WIND COASTER—A small boy at the Akron airport thought airplane tail wheel tires would be swell for a coaster. So did his father. Hence this new sidewalk flyer with double ball bearings, regular brakes with linings, and General tail-wheel tires to give faster and easier mileage.

Department Stores Rise Again

For the first time in 2 years, the department stores are chalking plus marks on the sales board. Performance records show how badly they were needed.

PLUS marks have appeared in the monthly report of department store sales issued by the Federal Reserve Board for the first time in 20-odd dark and dismal months. In 4—count 'em, 4—of the 12 Federal Reserve districts sales during the month of May started bouncing upwards from the bottom of the pit which was reached in March, when sales of 447 department stores stood at just 57% of the 1923-25 average.

Singularly the plus marks did not pop up in the New York district where Wall Street's soaring stock and bond prices might have bred excusable optimism, nor in hardy New England, nor under the beaming radiance of Chicago's Century of Progress Exposition. It was the sorely tried Atlanta district that established a record for resiliency in bouncing back from a minus 31% mark in March to plus 4% in May, although closely pressed for first honors by the San Francisco district where March sales dropped to minus 30%—compared with the same month of 1932—and recovered also to plus 4% in May.

Averages Up

Sales in Minneapolis and Dallas jumped 4% and 5% respectively, when compared with May 1932 totals. None of the other 8 districts trailed 1932 totals by more than 6% and the average for the entire country was only 2% under 1932 although the totals for the first 5 months of 1933 are still 18% under 1932.

Department store executives welcome the life saver that arrived just as some were beginning to think that they would have to go down for the third and last time. They recall that, for them, sales recovery made 2 false starts, one in April, 1930, and the other in June, 1931, when sales made a slight gain over the previous year, only to resume the slide on the toboggan.

The sorry plight in which department stores, as a class, found themselves at the beginning of 1933 is vividly reflected in the results of 2 recently completed authoritative studies.

The Harvard Study

One, made by the Bureau of Business Research of Harvard University's Graduate School of Business Administration, covers the operating results of 501 department and specialty stores with 1932 sales of $1,200 millions, or approximately 30% of the country's total sales volume for this class of stores. That sales volume indicates a decline of 24% from 1931 against a drop of only 16% in average selling prices so that only 8% less tonnage was handled by the entire group. Sales in 1932 of 317 identical stores stood at 66% of their 1930 volume, while their total expenses rose from 32.9% to 39% and the net loss jumped from an average of 1.5% to 8.5% in the 2 years. For the entire group of 501 stores covered by the 1932 report the net loss from merchandising operations amounted to 6.4%, with 78 stores, doing less than $150,000 of annual business, showing the largest average loss of 10.3%, while 6 stores, giants in this field, with over $20 millions annual sales, lost 4.7% on sales, although one of the 6 actually showed a net profit.

A careful analysis of the 1932 operating expenses and comparison with previous years indicates that department store management has succeeded in paring down costs in many directions. For instance, stores with sales of $10 millions or more brought down the over-all cost per transaction from 81.5¢ in 1931 to 73.5¢ in 1932. Similar reductions, ranging up to 10%, were reported by many stores in other groups although a few have been able to cut the cost per transaction as rapidly as the price declines were cutting the average sale, down from $2.60 in 1931 to $2.15 in 1932.

Tax Data

Operators welcome the inclusion in the Harvard study of data on taxes, license fees, and other governmental charges paid by the reporting stores. These amounted to 1.85% of sales for department stores and 2.35% of sales for specialty stores, but such figures cannot be considered normal as few of the stores paid any income taxes during 1932, leaving the totals chiefly accounted for by local and state taxes.

A study by the Controllers' Congress of the National Retail Dry Goods Association helpfully supplements the Harvard report by providing a breakdown of operating results according to departments. After dividing all stores into 5 groups on the basis of sales volume, the Congress reports on 60-odd different departments in the main store and 11 departments generally located in a basement store, giving all important details on the merchandising activities and operating expenses for each of the groups. No better commentary on conditions in the department store field at the end of 1932 can be provided than that supplied by this study showing that only 2 departments—hosiery and brassières and corsets—made a profit in all stores. While in 1930 the average store appears to have had 25 departments on a profitable basis, it had only 16 in 1931 and during 1932 the number dropped to 6, and 50-odd departments were piling up losses (*BW—Apr19'33*). In the basement stores some profits were made in the hosiery, millinery, and dress departments; the others ran at a loss.

Big Store Efficiency

As an interesting sidelight on the greater efficiency that is generally obtained in larger stores, this study shows that stores in the group with sales over $10 millions annually recorded the highest sales per employee, the smallest 1932 reduction in the amount of the average sale. Incidentally, these stores transferred 4 out of each 100 employees from non-selling to sales activity.

The group of specialty stores included in the study by the Controllers' Congress showed profitable operations in only 3 departments. Losses reported in other departments ranged up to 19.8%, although operating losses for this group were only 4.7% of sales.

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These simple and attractive units do the necessary air conditioning in each individual room. They resemble beautifully enclosed radiators. And these air conditioners do more than "refrigerate" the air. They do a complete job of air conditioning . . . they cool, de-humidify and circulate the air.

Year-round air conditioning, too

One type (illustrated at left) is a year-round model. Provides complete summer *and* winter air conditioning. Provides delightful comfort twelve months of the year for the individual office or room. Brings in the necessary outdoor air for ventilation, but keeps out street noises by means of a Maxim silencer.

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Guesswork is eliminated with this equipment. It is sold only by authorized G-E Air Conditioning dealers—installed by factory-trained engineers—backed by General Electric.

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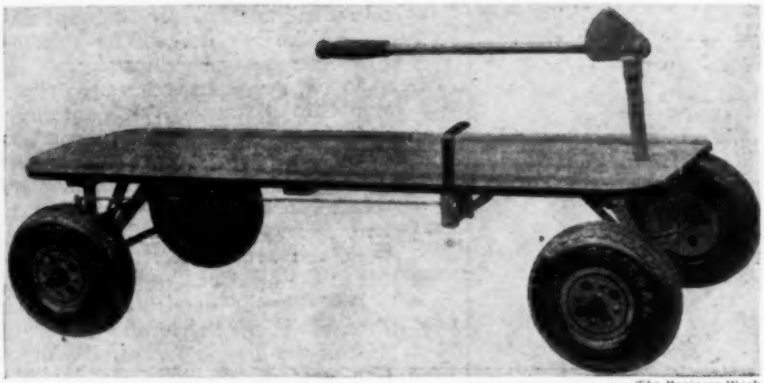

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Singularly the plus marks did not pop up in the New York district where Wall Street's soaring stock and bond prices might have bred excusable optimism, nor in hardy New England, nor under the beaming radiance of Chicago's Century of Progress Exposition. It was the sorely tried Atlanta district that established a record for resiliency in bouncing back from a minus 31% mark in March to plus 4% in May, although closely pressed for first honors by the San Francisco district where March sales dropped to minus 30%—compared with the same month of 1932—and recovered also to plus 4% in May.

Averages Up

Sales in Minneapolis and Dallas jumped 4% and 5% respectively, when compared with May 1932 totals. None of the other 8 districts trailed 1932 totals by more than 6% and the average for the entire country was only 2% under 1932 although the totals for the first 5 months of 1933 are still 18% under 1932.

Department store executives welcome the life saver that arrived just as some were beginning to think that they would have to go down for the third and last time. They recall that, for them, sales recovery made 2 false starts, one in April, 1930, and the other in June, 1931, when sales made a slight gain over the previous year, only to resume the slide on the toboggan.

The sorry plight in which department stores, as a class, found themselves at the beginning of 1933 is vividly reflected in the results of 2 recently completed authoritative studies.

The Harvard Study

One, made by the Bureau of Business Research of Harvard University's Graduate School of Business Administration, covers the operating results of 501 department and specialty stores with 1932 sales of $1,200 millions, or approximately 30% of the country's total sales volume for this class of stores. That sales volume indicates a decline of 24% from 1931 against a drop of only 16% in average selling prices so that only 8% less tonnage was handled by the entire group. Sales in 1932 of 317 identical stores stood at 66% of their 1930 volume, while their total expenses rose from 32.9% to 39% and the net loss jumped from an average of 1.5% to 8.5% in the 2 years. For the entire group of 501 stores covered by the 1932 report the net loss from merchandising operations amounted to 6.4%, with 78 stores, doing less than $150,000 of annual business, showing the largest average loss of 10.3%, while 6 stores, giants in this field, with over $20 millions annual sales, lost 4.7% on sales, although one of the 6 actually showed a net profit.

A careful analysis of the 1932 operating expenses and comparison with previous years indicates that department store management has succeeded in paring down costs in many directions. For instance, stores with sales of $10 millions or more brought down the over-all cost per transaction from 81.5¢ in 1931 to 73.5¢ in 1932. Similar reductions, ranging up to 10%, were reported by many stores in other groups although a few have been able to cut the cost per transaction as rapidly as the price declines were cutting the average sale, down from $2.60 in 1931 to $2.15 in 1932.

Tax Data

Operators welcome the inclusion in the Harvard study of data on taxes, license fees, and other governmental charges paid by the reporting stores. These amounted to 1.85% of sales for department stores and 2.35% of sales for specialty stores, but such figures cannot be considered normal as few of the stores paid any income taxes during 1932, leaving the totals chiefly accounted for by local and state taxes.

A study by the Controllers' Congress of the National Retail Dry Goods Association helpfully supplements the Harvard report by providing a breakdown of operating results according to departments. After dividing all stores into 5 groups on the basis of sales volume, the Congress reports on 60-odd different departments in the main store and 11 departments generally located in a basement store, giving all important details on the merchandising activities and operating expenses for each of the groups. No better commentary on conditions in the department store field at the end of 1932 can be provided than that supplied by this study showing that only 2 departments—hosiery and brassières and corsets—made a profit in all stores. While in 1930 the average store appears to have had 25 departments on a profitable basis, it had only 16 in 1931 and during 1932 the number dropped to 6, and 50-odd departments were piling up losses (*BW—Apr19'33*). In the basement stores some profits were made in the hosiery, millinery, and dress departments; the others ran at a loss.

Big Store Efficiency

As an interesting sidelight on the greater efficiency that is generally obtained in larger stores, this study shows that stores in the group with sales over $10 millions annually recorded the highest sales per employee, the smallest 1932 reduction in the amount of the average sale. Incidentally, these stores transferred 4 out of each 100 employees from non-selling to sales activity.

The group of specialty stores included in the study by the Controllers' Congress showed profitable operations in only 3 departments. Losses reported in other departments ranged up to 19.8%, although operating losses for this group were only 4.7% of sales.

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What's Happening At London

Monetary stabilization is a bigger problem than it seemed at first—even if 3 nations can settle it for the world. War debts inevitably have come into the picture.

ALMOST every nation in the world was represented in the little audience in London last Monday when King George officially opened the World Economic Conference, long awaited and generally considered the most important conference ever assembled. The entire world listened in by radio and millions have pored over the daily reports from hundreds of press representatives.

Most important developments so far, however, have not taken place in the assembly hall in Britain's new Geological Museum. They have been negotiated by a much smaller group meeting daily in a little council room in the Bank of England, and by the British Chancellor of the Exchequer meeting with his colleagues in the British Cabinet at 10 Downing Street.

"Little Conference"

The meetings in the Bank of England have been attended by the special financial experts from Paris, Washington, and London. They started before the Conference officially opened. It is the purpose of these representatives to negotiate the all-important "monetary stabilization" which has been an important item on every revised agenda for the Conference. The world has been led to believe, particularly in the last few months, that monetary stabilization is the prerequisite on which all other Conference accomplishments can be built. Quite recently it has been admitted that permanent stabilization in one step probably was not feasible. A temporary agreement to fix the relationship between the British pound, the French franc, and the American dollar is still expected by many.

Probably no statement coming from London during the week is more significant than the one attributed to George L. Harrison, governor of the Federal Reserve Bank of New York and one of the official American delegates. Mr. Harrison is said to have pointed out, following the early discussions of the financial group concerning stabilization, that the United States is not opposed in principle to *de facto* stabilization, but that if the rise in commodity prices, now under way and very much the backbone of the entire Roosevelt administration recovery policy, should be arrested by stabilization, the United States would not hesitate to proceed with further depreciation of the dollar.

To many, monetary stabilization seemed one of the things the Conference might most readily accomplish. On numerous problems, the approval of all 66 of the nations represented at London will be necessary. In the case of currencies, 3 countries lead the way —Britain, France, and the United States. To Britain is attached the so-called "sterling bloc" of nations whose currencies are traditionally tied to the British pound or have been arbitrarily tied there recently for the anticipated trade advantages. Of this group (beyond the Empire) the most important in the financial world are the Scandinavian countries. Ready to follow the dictates of France, leader of the remaining gold standard countries, are Holland, Belgium, Switzerland, and Poland. The United States is important for the volume of trade which it dominates. If these 3 nations can reach some agreement on financial policy, the rest of the world is likely to fall in line.

In each case, the negotiators have a different point of view. To France, desperately clinging to the gold standard, it is all-important that currencies be stabilized again, preferably on a gold basis. To Britain, it has also become important that foreign exchange be stabilized, for to the British more than to almost any other nation, foreign trade is an extremely important means of livelihood. But Britain straddles the fence. The British are big financiers. Huge debts are owed them from nations which are great raw materials producers. Many of these debts can be repaid only if prices rise. The British, therefore, look at the problem of lifting prices—which President Roosevelt has said is of first importance to the United States—with sympathy.

What Price Dollars?

When monetary stabilization was first discussed, it was popularly thought to mean that the franc, the pound, and the dollar would be given a fixed relationship again. It probably would not be the same ratio that existed when all 3 were still on the gold standard but it would make it possible for exporters and importers once more to depend on the relative stability of foreign price quotations. As matters stand now the dollar has fluctuated in value in London as much as 2 cents in one day, and the pound (before the United States abandoned the gold standard) fluctuated almost as widely in New York.

As a result of the little conferences at the Bank of England this week, it seems doubtful if the negotiators will be able to arrive at the results they had anticipated. It is possible that some agreement will be reached to protect extreme day-to-day fluctuations of any one currency due almost entirely to speculation. But not until some other problems have been ironed out is it likely that world monies can return to some stable base. Before this is possible they will probably be given free play to seek their logical relationships.

War Debts

One of the other problems which confronts negotiators is the question of war debts. Washington stipulated that United States participation in the Conference was on the condition that this problem would not be discussed. None but Americans seemed surprised when Ramsay MacDonald, chairman of the Conference, thrust the problem into his opening address. London considers it significant. Before the week ended the mid-year debt and interest instalments came due in New York. In general, they were met on a 10% basis, with the stipulation that even that part of the payment was made only to show good faith until the whole problem could be settled. Obviously, the debtors intend to force the issue.

War debts are significant from a number of angles. The one which came into the limelight this week related to

Keystone

AMBASSADOR TO GERMANY—William E. Dodd, professor of American history at the University of Chicago, nominated for Ambassador to Germany, was an intimate of Woodrow Wilson, is considered an advocate of the League of Nations.

the monetary problem. If Europe is not going to repay the debt to the United States—which is now to be expected—it cannot be forgotten that the United States still owes the debt to citizens who bought bonds to make these loans to Europe. Somehow, this obligation must be settled. Economists have said repeatedly in the last few months that the most equitable way to meet this tremendous obligation internally is to reduce it by cheapening the dollar. If the dollar is going to be cheapened, how can the United States pledge itself in a monetary stabilization pact? Dollar-cheapening is already under way in the form of inflation. The limits have not yet been determined. The debt payment, or degree of default, is one of the factors to determine these limits.

"Best Banking Law"

Demand for deposit insurance proved too strong to resist.

LAST-MINUTE emergence of the Glass-Steagall bill as the "best banking law since the Federal Reserve system was created" (President Roosevelt speaking) can be credited to the provision that almost killed it — deposit insurance. When Mr. Glass told the Senate that "the executives of the government" and the majority of the Senate subcommittee had to discard their opposition to the insurance plan because "we realized, as sensible men, it was a problem from which we could not escape," he had been looking at the letters from back home piled high on Congressional desks.

Credit is also due to the stubborn persistance of Senator Vandenberg (Mich.) who finally compromised to let his temporary insurance provision for deposits under $2,500 go into effect next Jan. 1, instead of on July 1. Six months later the permanent insurance plan bill will be furnishing 100% protection for deposits up to $10,000, 75% for those from $10,000 to $50,000, 50% for sums above $50,000. Admission to the insurance pool will be open to Federal Reserve member banks licensed by the Secretary of the Treasury, to state non-member banks who pass a double check as to solvency—by state banking authorities and by the insurance corporation. But state banks that want to stay in after July 1, 1936, must join the Federal Reserve system—and it looks at last as though we were well on our way to the unified banking set-up envisaged in the original Federal Reserve plan.

Bankers are not enthusiastic, but they admit that the act contains many good provisions (page 10), think experience will point the way to amending some of the questionable ones.

Cleveland Reunion

Ohioans hark back to the good old days as Cyrus Eaton and the Van Sweringens break into the news together again—not altogether happily.

CYRUS EATON and his fellow Clevelanders, the brothers Van Sweringen, habitually break into the news at about the same time. While persistent Mr. Pecora was pecking away at the reluctant Vans before a U. S. Senate committee, the old Eaton holding company, Continental Shares, was fighting to prevent auction of collateral which it had placed for a loan from Chase National Bank, New York. On Monday a federal judge said "No" to an application for an injunction against Chase, and the former Continental holdings were bid in.

This was the main loan of the once-powerful Eaton trust. Originally it stood at about $33½ millions but had been reduced to around $27 millions. The sale realized over $23,240,000, Chase itself being the principal buyer. The offering was the largest of its kind since dear old 1929. It represented 1,837,373 shares in 13 companies, including steel, rubber, power, coal, and Canadian banking corporations. Eaton, who resigned as head of Continental in 1931, was absent. George T. Bishop, put into the presidency by Cleveland banks, was there but not bidding.

Continental still has at least a short lease on life. Its holdings include 299,000 shares in Cliffs Corp., 59,000 shares of Republic Steel; 233,000 shares of Goodyear; also large handfuls of Firestone, Goodrich, Sherwin-Williams, and Youngstown Sheet & Tube. Some of this is collateral in other banks, which, if they insist on satisfaction, can force dissolution.

Cleveland's Double Entries

The Vans and Eaton were Cleveland's entries in the marger race when it was going well. Their paths seldom crossed, but news that the Van Sweringens had brought together a new rail group usually chimed with a steel or utility merger by Eaton.

The two groups together managed to borrow something like $75 millions in New York in 1929 and 1930, the Van Sweringens mainly from Morgan and Morgan banks. Troubles of both go back to the emergencies which made the loans necessary and made repayment difficult. The Van Sweringens, unlike Eaton, are still understood to be at the helm of their enterprises. Eaton retired from Continental not long after his spectacular victory over the Bethlehem forces in their effort to acquire the Youngstown Sheet & Tube Co. His victory and his elimination were only remotely connected, but the struggle had engaged so much of his attention that he did not notice the national picture was changing all around him.

Eaton's main source of loans in Cleveland survived the spring closings, but the Van Sweringens' two banks, Union and Guardian, failed to reopen. The Vans were the largest borrowers in one, if not both.

Pecora's questioning of O. P. Van Sweringen refreshed Cleveland's memory of the rise of the Van Sweringen brothers in the railroad world and filled in a number of gaps. It disclosed, for example, that the Van Sweringens were working on a 4-system consolidation of the Northern and Eastern lines as early as 1921 and that they had marked out most of their railroads for their own long before they started buying. Their Missouri Pacific was disclosed as an afterthought, and a rather expensive one, resulting from their having realized large sums, actual and potential, in the formation of Alleghany. Pecora's emphasis upon "shoestrings" and the relatively small capital they had themselves put up in the early financing contributed nothing new to local residents.

Neighborly Stuff

Old neighbors of the Van Sweringens, in the simple cordiality which is common in home towns, had been in the habit of crediting much of their success to the Morgans, but the inquiry developed less of it than the most envious had suspected. They are shown again to have been autonomous operators within the Morgan sphere, entering by way of their numerous relations with the New York Central. Their "shoestring" purchase of the Nickel Plate was accompanied by the receipt of the services of an able New York Central man, J. J. Bernet, who was supposed at the time he came to Cleveland to be serving the double purpose of providing good management and looking after the property, just in case the Van Sweringens couldn't complete the payment.

The final day of the testimony made it appear that holding companies in Van Sweringen hands were mainly organized to escape the tax on capital gains, but there was nothing new about holding companies in Van Sweringen practice. From the very beginning of their real estate operations in Cleveland, which supplied them with the $500,000 to buy the original Nickel Plate, they had had holding companies with which they associated outside capital. Ohio has no private bankers like New York, but investment dealers in their personal capacity supplied them some of the capital for their start.

Wide World

HE GOT THE JOB—Dwight R. G. Palmer, vice president of General Cable Corp., who will direct the new Los Angeles plant to be built by his company to make the cables for carrying electricity from Boulder Dam.

From the answers of "O.P." could be had a glimpse of their method of working with huge masses of data in everything they do. They made studies of the railroad situation in 1920, they made studies of the growth of the country, they made studies of the Southwest, they made studies of the Missouri Pacific which are said to have been the most elaborate ever made of any railroad.

In promoting their Cleveland real estate operations they depended mainly on the forecasts of the Ohio Bell Telephone Co., which have been so sadly affected by such factors as the decline of immigration, the collapse of prices and the long depression. The Van Sweringens have made a number of offers to securities holders on their downtown buildings, they have reorganized part of the real estate financial structure, and are defending suits on other real estate.

Pecora referred only briefly to a loan of $23,350,000 on the collateral of the Cleveland Terminals Building Co. which owns the buildings on the air-rights above the Cleveland Union Terminals Co., the latter controlled by the New York Central. The collateral in-

cludes enough Alleghany stock to give working control of their railroad system if the shares ever got away from them, and in more than one sense it can be said that the system pivots on the Terminal Tower, Cleveland's 708-foot classical skyscraper.

The haziness of O. P. Van Sweringen's memory midway in the hot week surprised nobody in Cleveland, where he never had had the reputation for sure-fire recollection. He depends on secretaries. If his brother M. J. had been on the stand, some of the answers could have been more precise.

O. P. Van Sweringen was more fortunate in his relations with rival interests than Cyrus Eaton was. Doubtless foreseeing that his purchases of independent railroads would flutter the rookeries of more than one large old system, he devised the hypothetical 4-system structure within which he could operate without being molested or seeing the prices of properties run up by opposition offers. Eaton was the beneficiary of such jealousies on the part of Samuel Insull, who bought him out of his Continental's interest in Chicago properties at high prices in 1930. But in plotting an inland empire in the steel industry he collided with the envies which had generated in old steel circles in Cleveland and the Mahoning Valley at the sight of a utility man doing so famously in the steel business.

Cyrus S. Eaton still works hard and late in the securities business in Cleveland. He has his office with Otis & Co., a corporation formed after the 1931 debacle by a number of old employees and junior partners of the formerly active partnership of Otis & Co., of which Mr. Eaton was one of the seniors. Mr. Eaton's name does not appear in the list of officers of the company but his time is well booked in consulting and other work with its members.

The present Otis & Co. is an underwriter, distributor and dealer in municipal and general market issues and unlisted securities. They have been moving many blocks of bank and insurance company securities, have carried on a considerable business in municipal securities and lately like a number of other Ohio securities concerns have opened a department in trading in passbooks of the frozen savings and loan companies of which Ohio has so many.

Real Mortgage Relief

If the small home owner can't persuade his mortgage holder to let the government save him, Washington will now lend him money to save himself.

THE Home Loan Act, now in effect, is a genuine attempt to help the little fellow. It is the second effort to tackle the depression troubles of the home-owner. Its forerunner, the federal Home Loan Bank program, could be of service only in discounting first mortgages through a newly established system of Home Loan Banks or through an existing system of building and loan associations. The difficulty it left was that many a small home-owner is burdened not merely by a first mortgage too big to be discounted, but by a second, and sometimes by mounting arrears of interest and taxes. The new law helps him out of this kind of a jam.

If he has a home appraised at not more than $20,000, loaded with a mortgage and interest debt of not more than 80% of that value, he can—or can try to—persuade his mortgage holder to exchange the mortgage for 4% government bonds, through a new kind of government bank called the Home Owners' Loan Corp., with branches all over the country. If the mortgage holder accepts the proposal, the mortgagor will then give the government a 5% mortgage running for 15 years.

If the mortgagee refuses to make the swap for the bonds and the home-owner is unable to raise funds elsewhere to save his home, the Home Loan Bank will make another move to help him. It will lend him cash. But, in this case, the loan will not exceed 40% of the appraised value of the property and the interest rate will be 6%. However, this loan also will be spread over 15 years.

If a home-owner desires money only to pay his taxes and his home is free of mortgage, the Home Owners' Loan Corp. will lend him up to 40% of the value of his property. Even home-owners who have already lost their homes through foreclosure may regain them by applying for help under the law. And if any of the borrowers are unable to pay their instalments the government will grant a 3-year moratorium.

Borrowers to be eligible to the services of the Home Owners' Loan Corp. must live in their own homes, with not more than 3 other families; the mortgage on it must have been in existence before the bill became a law; the holder of the mortgage must be pressing for payment; and the applicant must show that he needs help in order to save his home.

Public Works

Schedules begin to come in for state building while Washington lists 10,000 projects.

IN every state, long-deferred programs of public works have been under close scrutiny in the past few weeks. With $3,300 millions to be spent under the National Industrial Recovery Act, there is a responsibility to the local unemployed which is spurring on each state public works department. Already definite schedules are being reported from every quarter.

Shopping List

New York has prepared a program calling for a total of $350 millions, including $98 millions for self liquidating projects, $25 millions for housing, $25 millions for federal-aid highway projects, $50 millions for railroad grade crossing separation, $15½ millions for hospitals and public institutions, $15 millions for county work, $6 millions for town, district and village plans, and $150 millions for cities. Under the self-liquidating projects for New York are the proposed 38th Street Tunnel under the Hudson River, a Pelham–Portchester Parkway, the Tri-Boro Bridge in New York City, a planetarium for the American Museum of Natural History, and the development of the state fair grounds.

New Jersey is planning on $19 millions for grade crossing work, $8 millions for port improvements in South Jersey, $40 millions for water supply in North Jersey, and provision for high speed transportation over the Philadelphia–Camden Bridge. Maryland has in mind some $70 millions, with $31½ millions going to the city of Baltimore. Ohio is ready with $120 millions of work of which $12½ millions will be spent in Cleveland improvements. Michigan has reported $100 millions for Detroit alone.

More Money Wanted

The state of Indiana expects to use $75 millions. Missouri will need $51½ millions, which includes $5 millions for public buildings, $9 millions for bridges, $10 millions for highways, $8 millions for commercial and industrial buildings, and $5 millions for utilities. Colorado will speak for $35 millions, for a list of projects that is now being prepared. Louisiana already has a schedule of 2,000 projects totaling $160 millions.

Washington is now busy selecting the federal public work all over the country which is to be recommended for construction by the government, and about 10,000 projects have already been set down. A call is being sent to the governors of all states to submit their advance program promptly so that the entire picture may be drawn.

Insurance Policy

State insurance commissioners boldly set limits to encroachments of marine companies and laxity of agents but leave security valuations to cool off for a while longer.

THOUGH the World's Fair might have appeared a strong inducement to make the mid-year meeting of the state insurance commissioners a gay time, the number and importance of problems tackled merit loud applause. Not only did the commissioners approve of a more liberal attitude toward policy loans and cash surrenders, leaving them virtually within the discretion of the insurance companies themselves (*BW—Jun7'33*), but they also unraveled the long-standing controversy of the scope of marine insurance, lent a solicitous ear to the problem of agents lax in turning over collected premiums, agreed to postpone consideration of evaluating company stock and bond holdings, and heard Commissioner Van Schaick of New York earnestly plead for uniform procedure in liquidating bankrupt insurance companies.

For almost a decade, fire and insurance companies have grumbled about the growing encroachment of marine concerns whose interpretation of their legitimate field of activity was generously broad. The complaint was often made that marine underwriters continued to hold policies in force long after the actual transportation of goods had ceased, thereby preventing other insurance companies from writing fire, burglary or other forms of protection. A solution was first arranged in 1932 in New York State, but the full effectiveness of any definition of scope depended upon its acceptance throughout the country.

Marine Policy Defined

The marine committee of the national convention of insurance commissioners presented to the convention a new definition of marine insurance aimed to distinguish more clearly the legitimate fields of marine, fire, and casualty insurance. Under the ruling approved by the commissioners, marine insurance covers only such risks as involve the hazards of transportation in the shipping of exports, imports, and domestic trade. Furthermore, marine protection shall extend only 30 days after the goods have reached their destination. The marine companies also agreed to cease writing the so-called "householders' comprehensive policy" which combined a number of fire and casualty coverages. To reduce controversies to the minimum, a standing committee was authorized.

The question of the responsibility of insurance departments for the collection and transmission of premiums aroused the only arguments among the otherwise non-contentious commissioners. But though a few opposing votes were recorded, the convention put itself on record as approving the principle that premiums collected by insurance agents are in the nature of trust funds belonging to the companies, deprecating "undue extension of credit to policyholders with its consequent evil of free insurance"; and urging each state commissioner to require from the companies quarterly reports of all agents and brokers in arrears on payments of balances on policies issued more than 90 days prior thereto.

The Ticklish Question

No report was made by the committee on security valuations, but the committee was instructed to study the matter and to report before the next meeting of the commissioners early in December. Apparently, the convention did not wish to disturb the present system of utilizing values of June 1931 while security prices were rising, a move which some have interpreted to mean a return to market valuation by the end of the year. Since both methods of evaluating insurance company assets have met with criticism, the committee may cast about for a more satisfactory solution of a vexing problem.

The intimate contact which the New York state commissioner has secured in the past 2 years in liquidating companies doing an interstate business probably accounted for his stress on the need of uniformity of treatment of creditors either by amending the federal bankruptcy law, a process likely to meet with too much opposition for nearby consideration, or by the voluntary cooperation of the various state commissioners. The latter plan was deemed less satisfactory, but carried a better chance of enactment.

"Evasion Insurance"

Hitler—eager for funds—makes it easy for tax delinquents to buy immunity by helping the unemployed.

BERLIN—One of the striking features of Hitler's new "plan" (*BW—Jun10'33*), is a provision which Berlin facetiously calls "tax evasion insurance."

There has been considerable talk lately about the issue of another "amnesty loan" similar to the "gold amnesty loan" of the Federal Railroads issued about a year ago under the Bruening administration. This loan was aimed principally at those who had both evaded taxes and violated foreign exchange regulations by investing or depositing their money abroad. They were offered a pardon if they subscribed to this loan. It was a relative success and the subscription reached nearly $70 millions.

Hitler's financial advisers have another scheme this year—but with the same objective. Germans with a bad "tax conscience" are invited to support Hitler's job-making scheme, not by buying bonds, but by making a single generous contribution towards a special "national employment fund." Delinquents may even make this contribution anonymously.

Here's the Scheme

The procedure, briefly, is this: Herr Meyer, who has concealed part of his income on which he would have had to pay, say, an additional 1,000 marks as income tax, may approach a notary public and instruct him to pay 500 marks to the revenue office of the government, the amount to be applied to the National Employment Fund. He need not disclose his name. No further action to repay his past tax evasions is required. And he need have no further fear of the tax controllers. If ever he is "caught," all he needs to do is to produce the receipt for his contribution. If the amount is at least one-half of the amount of the tax which he has evaded, he is "saved" and granted unconditional pardon.

It is a unique scheme. There are skeptics, however, who think it will encourage tax evasion. Why not, they argue, when the insurance premium costs only half as much as the tax?

London Heresy

Saville Row tailors are advertising away their exclusiveness in a scramble for business.

LONDON—Exclusiveness ceases to be a sufficient sales point even for Saville Row. Ten of the leading men's tailoring establishments there or thereabouts have launched a group advertising campaign on the persuasion of the Association of London Master Tailors. The first venture appearing in newspaper space included a half-column "editorial" on men's clothing styles, headed "Merely for Men," with another 1½ columns of individual announcements. This was the first time that some of these houses, one established 1780, had ever strayed into newspaper advertising. Two of them went the whole distance, quoting prices and everything.

Business Abroad

London Conference opens pessimistically. Europe forces war debt issue. Monetary problem runs into difficulties. Bondholders angered by German moratorium. Soviets bid for trade. Japan and India in boycott squabble. Good news from South America.

Europe

EUROPEAN NEWS BUREAU (*Cable*)—Probably no conference has ever had the potentialities that the London Conference has, but few have ever been anticipated more pessimistically. Almost without exception, the larger nations in Europe expect few results. The smaller nations are more optimistic.

The debt question, aggravated (particularly in the case of Great Britain) by the new German transfer moratorium, at once came under fire. France is following out the "postponement" policy adopted last December. Britain is "maintaining the sanctity of contracts" by making a partial payment. Most other countries are doing the same thing, partial payment in most cases being about 10% on account. Actually, they are all forcing the United States to face and make a decision on the problem (page 18).

Currency stabilization received its share of attention, but not in the major sessions. French and British representatives negotiated with the American delegation all week without any reported success. Dollars fluctuated violently on foreign exchange markets.

Soviets Offer Big Orders

In the Conference proper, some little attention was paid to the Soviet offer to place large orders abroad if payments could be made over a reasonable period and foreign markets opened to Soviet exports. Interest was stirred in view of the pending Franco-Soviet trade pact, likely to be announced soon and expected to include possibly $20 millions of French government credit guarantees, and of the announcement in Washington that the Soviets have appealed for an R.F.C. loan of $5 millions to finance purchases of American raw agricultural materials.

A few of the best informed experts in Europe became aware this week of a provision in the Washington Industrial Recovery Bill which gives the American government the power to shut out foreign goods which might, under present competitive world trade conditions, imperil the success of the program. Those familiar with Roosevelt theories know that this is no subterfuge leading to a policy of higher tariffs, but a weapon to force foreign suppliers to adopt the spirit of the new act.

Some Europeans know that informal moves have been made by the Canadian newsprint industry to organize for complete cooperation with the American industry. There are rumors that American copper interests are already discussing international cooperation under the "plan" with former colleagues in the old international associates.

Germany

Business more active; prices up; more men absorbed in industry.

BERLIN (*Cable*)—Sentiment in Germany regarding the London Conference is pessimistic. Dominated by Nazi philosophy, Germany foresees international economic recovery only after each country has first consolidated its efforts at home.

Actually, domestic business is more cheerful at the end of the week. Employment is increasing. Since the winter peak, more than 1½ million men have been reabsorbed in industry. Car loadings are now 5% above last year's level. For 6 consecutive weeks there have been advances in wholesale prices. Originally this was limited to the group of agricultural products, but within the last 2 weeks it has been spreading to finished goods. Consumer industries, notably cotton textiles and shoes, have registered gains this week.

Resentment abroad over the proposed transfer moratorium has caused some worry to Germans. It seems likely now that the Dawes and Young loans will be exempted from the moratorium and that preferential treatment will be made where the attachment by the debtors of property or of export proceeds is possible. This would apply especially to the shipping and potash loans.

France

Business steady; disappointment general over outcome of first week of London Conference.

PARIS (*Wireless*)—Naturally no business development in France was sufficiently important this week to eclipse interest in the London Conference, and the French attitude of gloom concerning the Conference not having altered after the opening sessions, the outlook has changed little during the week. The French are convinced that the outcome of the Conference will be either an utter fiasco or that it will be buried in a meaningless diplomatic communique declaring for "more international goodwill and the hope that the depression will be outgrown in a genuine spirit of international cooperation."

France stands firmly for a return to the gold standard and sound, if old fashioned, economy. To the average Paris executive the present boom in Wall Street is but another flurry as unsound as 1929. Talk of inflation falls on dead ears here.

The index of wholesale prices has declined 7% since December. The retail index is off 4% in the same period. Unemployment, however, has declined more than 8% in the last 5 weeks.

Great Britain

Interest centered in war debts, German default, Conference possibilities. Dollar fluctuations unpopular; "stabilization" talks closely watched.

LONDON (*Radio*)—Business has been subordinated all week to the big events in London. Despite the gloomy predictions for the conference outcome, and in spite of the crop of rumors bound to come along with sharp bargaining in the next few weeks, the tone of British business is good.

Not even the reference to war debts in the opening session of the conference and the disturbing rumors which followed in Washington and Paris during the first 3 days of the week sidetracked London's real interest, which was centered in the "little conversations" at the Bank of England. After all, London has known for weeks that war debts had to come before the conference.

The meetings at the Bank of England this week involved representatives from only 3 nations—France, the United States, and Britain. This little group discussed currency stabilization, but kept their discussions to themselves. London believed that the United States refused to consider a joint exchange equalization fund, but that representatives from all 3 were favorably impressed with the idea of buying gold on the open market at a pre-determined price.

Disgust was general in London when the dollar continued to fluctuate violently all week. Washington was accused of deliberately manipulating foreign exchange so as to gain an advantage at the Conference. London considers the pound at anything above $4 unnatural, and still expects that any de

European

COWS COME HOME—BY AIR—Airplanes carried in the machinery for the New Guinea gold mines; they take out the gold, bring back supplies (mostly beer) on the return trip. Here is one of the big Junkers unloading cattle for the settlement that lives by air.

facto stabilization will be at something under $4. Not all the uncertainty, however, killed hope that the little group working at the Bank of England might arrive at some agreement. It is argued that this problem—which 3 of the 66 nations at the conference can handle—can be settled. The sterling group of nations will follow the dictation of Britain; the remaining gold nations will follow France; not a small group will follow the lead of Washington.

Bondholders Organize

Consternation over the recent German transfer moratorium is as great this week as last. A strong committee has been formed to protect holders of German long-term bonds. Included in the membership of the committee are representatives of insurance companies, investment trusts, and the old and respected Council of Foreign Bondholders. Not a little has been said and written denouncing the apathy of the Bank of England in the whole matter, the stockholders taking the point of view that the Bank, having helped to float some of the German issues, should now do more to aid the stricken public. And other bankers are denounced for betraying their investors in order to save their own "standstill" bills. Negotiations with Dr. Schacht are already under way.

The commodity situation is satisfactory, with rubber, for example, showing remarkable strength, and with tin advancing by leaps and bounds. Tin, in fact, rose £11 in a single day compared with a rise of £32 over the month's trading. Even the experts are unable to appraise how much of this rise is due to inflation in the United States, how much to restriction plans, again being actively discussed, and how much to genuine recovery.

The firm practicality of the American delegation at the conference has made its impression on London. It is obvious to the British that the United States has a plan, knows what it wants, and what it cannot possibly accept.

Latin America

Argentina and Brazil encourage trade with United States. Current collections easier in Colombia.

GOVERNMENT officials in Buenos Aires have rescinded last week's supposedly official decree that the Argentine would supply dollar exchange only as it became available through purchases by Americans in the Argentine. Whatever caused the slip, United States exporters and bankers are considerably more cheerful this week. It means that business can continue on the same basis as during the last few months. It probably means, too, that official proposals have been made from both sides which will eventually lead to some new trade arrangement beneficial to both parties.

Even more encouraging is the news from Brazil that blocked American commercial accounts are going to be liquidated and that current commercial drafts will be more promptly covered, since the debt to British banks has been repaid and that volume of foreign exchange will now be available for current commercial bills (page 26). Bankers say that the additional volume of foreign exchange which will be available monthly exceeds $5 millions.

In Colombia, trade collections involving new business are fairly prompt but there is no improvement in the liquidation of old accounts. Chile reports that the business outlook is better but still is not good. Peru has raised the export duties on cotton and sugar for the sake of increased revenue (the bulk of the government's revenues are collected through export taxes) but the whole matter is under local protest.

Far East

Trade war develops between Japan and India. Russia makes gains in Chinese market.

SOME of the problems which confront the World Economic Conference at London, where 66 nations are gathered to discuss their trade problems, are emphasized this week in fresh 2-country battles which have broken out. In the Far East, Japan and India are involved in a trade boycott.

Following the British Empire Conference at Ottawa last year, India raised import duties on cotton goods to all nations except those within the Empire. Britain continued to pay 25% to get cotton goods on the Indian market. Japanese manufacturers were forced to pay 50% instead of the old 31¼%. With the yen depreciated about 60%, and with cheap labor, Japan was still able to hold a fair share of the Indian market. When Delhi announced on June 6 another increase in the duty on non-Empire cotton textile imports to 75%, Japan decided to retaliate promptly and vigorously.

One of the strongest trade groups in Japan is the Cotton Spinners' Association. It controls all but 116,000 of the 8 million cotton spindles in the country. This week members of the association voted a boycott on Indian cotton in retaliation for the June 6 move by Delhi. Indian government officials have already invited the Japanese to a conference in Simla in July to discuss the problem. Both sides have a lot to lose, but the fact that Japan has been reducing purchases of Indian cotton in the last few years, in favor of American,

makes the threat of a boycott less effective than it might have been a few years ago.

The outlook in China has improved during the week, though business is seasonally slack. The truce in the north is being observed by both Chinese and Japanese. There are reports in Tientsin that Japan is aggressively planning to make Manchuria a large cotton producing region, and that farmers will be encouraged to devote less acres to soy beans and more to wheat. The change-over is being planned on a 20-year basis and will be carried out under supervision from Tokyo.

A certain amount of construction continues in China, but trade generally is clack. Soviet trade agents are active throughout the region and are making gains in marketing various products, particularly oil.

Brazil Thaws Dollars

Commercial accounts, long blocked in Brazil, are to be liquidated. Rio has more funds for current payments. Argentina, after all, won't block American trade.

Two optimistic reports have come from South America this week. One concerns the Argentine, the other Brazil.

Last week, it was reported from Buenos Aires "officially," that dollar exchange would be made available to United States exporters only as dollars became available through the exportation of Argentine products to the United States (*BW—Jun10'33*). This week, Buenos Aires has officially declared that this report had no genuine authority. Such a move may eventually become necessary, but the Argentine has decided that now is not the time to make it.

People on the inside have their own versions of the matter. The most popular is that a minor official issued the decree while the Finance Minister was away playing golf. It is a facetious quip, but it probably comes as near explaining the matter as any other. The important fact for Americans is that Argentina has not yet decided to put United States–Argentina on a strictly reciprocal basis, and that dollar exchange is still available for United States drafts on the same basis that it has been.

The announcement from Brazil that blocked American commercial balances would be released under a fixed schedule has stirred a lot of optimism. The total of these accounts is not definitely stated, but it is certain that $25 million is a maximum.

Some of these accounts have been accumulating for as long as 2 years. They are the milreis which have been paid by Brazilians for imports from certain United States funds. In a half dozen instances, individual accounts exceed $1 million. Few, if any, of these accounts have increased since the first of the year for since that time there have been no restrictions against payment, beyond the temporary shortage of dollar exchange.

Liquidation of these old blocked accounts will follow a definite schedule. All accounts which are smaller than $50,000 will be paid within 90 days after June 30 of this year.

In the case of the accounts exceeding this amount, payment is to be made in monthly instalments over a period of 72 months, beginning July 1. In lieu of regular interest payment, 12% of the total amount now due is being added to the present principal, and the monthly payment figured on this new total. Official rate of exchange for the entire deal is set at 13.965 milreis to the dollar, which is the present official rate plus 5%.

There is this interesting provision, stipulated by the Brazilian negotiators. The present liquidation applies only to blocked accounts, but if there is any preference in meeting current payments it is to go to those creditors who have continued selling to Brazil despite the temporary distress restrictions.

There is a good deal of significance behind this new agreement with Brazil. The United States is the best foreign customer of the Brazilians. A good deal of ill feeling developed here early this year when it was claimed that the Brazilians were not giving United States exporters a fair break when apportioning their limited foreign exchange. This was flatly denied by one group of Brazilians; by another it was claimed that they were forced to conscript the bulk of the monthly foreign exchange to meet a loan maturity by a British bank. Whatever the case, the loan was repaid June 1, and the Brazilians are supposed to have now an additional $5 millions a month to meet commercial drafts. Signing of the new trade arrangement this week is accepted in New York as an indication that Brazil wants to be friendly. Actually, exporters are looking for prompter payments from Rio and, possibly, a further reciprocal trade arrangement as soon as the London Conference frees nations to make 2-party treaties without fear of tying their hands for larger deals.

Scotch Show Boat

Scotch manufacturers plan to go after friendly Scandinavian markets with floating exhibition.

SCOTTISH manufacturers are in the habit of advertising to the world along with their English colleagues. "Buy British" propaganda has had the backing of both countries.

When there is a difference of opinion on methods of advertising or selling, each group acts independently. The English, for instance, aren't much sold on the idea of "show boats." Their attempts at sending floating exhibits to foreign countries have not netted very large export sales. The Scotch feel they have been rather fortunate in the business which has resulted from their floating displays.

Last year, following the new trade arrangements with the Empire, Britain launched a campaign to increase sales of British goods to the Scandinavian countries. It started in Denmark with a big British industries exhibit (*BW—Dec28'32*). The British promised the Danes they would continue to buy as much of their ham and bacon from them as they could outside their promises to Canada and Australia. The Danes, in return, agreed to come nearer balancing their trade with Britain.

There were "Buy British" weeks in Norway and Sweden later. Now the Finns plan a similar campaign to begin in September. They are still negotiating a trade treaty with London.

Meeting the Market

It is just here the Scotch decided they'd better fit out a show boat and send it to Scandinavia. To them it is the best sort of traveling salesman. It costs each exhibitor only about $750 for a booth for his display, a cabin for a salesman, and a place in the catalogues which will be printed in 4 languages by the organizers. This looks cheap to a Scotchman, for not only will more Scandinavian buyers be reached than could be expected to visit Scotland, but they will be more communicative on a foreign vessel in their own ports. The Scotch, it seems, have a feeling that exports should conform to the needs and wants of a market. A salesman may be able to modify his sales approach after he meets his clients. And when he goes home, he is expected to present more of their special demands to his manufacturer.

The British have long bought much more from the Scandinavian countries than they sold them. Copenhagen has already openly advised the Danes to buy more from Britain if they want to keep the British market for their goods. If Stockholm, Oslo, and Helsingfors do the same thing, reasons the Scotchman, now is the time to go after the market.

Wide Reading

U. S. CORPORATE MANAGEMENT. *Fortune*, June. Various indictments of the way business is run. Executives: who they are; what they do; what they earn.

WHAT MATERIALS SHALL I USE? *Product Engineering*, June. Articles contributed by 70 engineers summarizing materials specified to meet definite engineering requirements such as corrosion, erosion, abrasion resistance; impact and fatigue strength; strength at high temperatures. Summary is not confined to the purely engineering aspects but includes commercial phases of the problem of selecting materials.

TOMORROW'S MARKET. Robert Keith Leavitt. *Forum*, June. What we shall sell when the upturn comes—and to whom.

WHAT SHOULD BE DONE TO STRENGTHEN OUR BANKING STRUCTURE FOR THE FUTURE? H. Parker Willis. *Management Review*, June.

RESULTS OF A SURVEY OF MANHATTAN RENTAL LIBRARIES. Groff Conklin. *Publishers' Weekly*, May 27. What is to be the future of the rental library? How can library methods be improved?

REVOLT IN THE CORNFIELDS. John S. Nollen. *Review of Reviews*, June. The region is coming under control. Iowa has engaged the Brookings Institution to do a study of its economic and financial structure. As prices rise, revolt will be forgotten.

BOOKS

THE INTERNAL DEBTS OF THE UNITED STATES. Evans Clark. Macmillan, 430 pp., \$4.50. Thorough study of domestic long-term debt, which—in the United States—totals \$134 billions. Even so, it is not an intolerable debt burden.

BALANCED EMPLOYMENT. Lee Sherman Chadwick. Macmillan, 234 pp., \$2. An industrialist looks aghast at the wasted labor power resulting from our unbalanced economic system, and advocates the reduction of hours, and a fair wage based on rate and quality of output. Profits cannot continue when the wage earner's buying power diminishes. Urges that industrial leaders, rather than the government, solve the problem of the shorter working day.

THE INDUSTRIAL DISCIPLINE AND THE GOVERNMENTAL ARTS. Rexford G. Tugwell. Columbia University Press, 230 pp., \$2.50. Observations by a member of the Roosevelt "brain trust" on where our economic policies are taking us and what we can do to keep control over the machine. Executives will want to read this book for a clearer conception of what the Administration is aiming to accomplish.

THE UNITED STATES EMPLOYMENT SERVICE. Ruth M. Kellogg. University of Chicago Press, 192 pp., \$1. Survey and appraisal of the uncoordinated public employment agencies in the United States, with special reference to the recently eliminated federal employment service, "reorganized" with a flourish under former Secretary of Labor Doak in 1931 after the Wagner bill was nearly vetoed by Mr. Hoover.

The Figures of the Week

Though business continues to expand, industrial leaders are somewhat bewildered by the enactment of a mass of important legislation. Power production reached a new high for the year. Carloadings in holiday week far ahead of last year.

WITH the passing of the National Industrial Recovery bill, a new era in American economic organization is put under way. The significance of this amazing piece of legislation has not altogether penetrated the business world, though it has certainly baffled their plans for future operations. In the next few months we should witness a new procedure in starting the wheels of industry, which appear to have been budged on the strength of anticipated federal assistance. Undoubtedly a critical period lies ahead, but the better feeling generated by rising commodity prices, increasing activity in steel, motors, construction, textiles, tires, refrigerators, and retail sales will help to smooth the path.

An expansion of purchasing power through increasing employment and higher wages is one of the chief goals of the Administration. Already a beginning has been made, judging from the state records that are now making their appearance. Exceptional increases in both the number of wage earners at work in May, compared with April, and also in payrolls are everywhere apparent. Rate increases no longer seem ironic dreams as the leading industries set their houses in order for the new day. Even the railroads have added a few thousand to their forces as traffic volume improved.

That the public is quick to place their dollars in circulation as soon as greater stability of jobs and earnings is attained may be gleaned from the May records of departmen. store sales and life insurance. In several Southern and Western districts, May sales volume actually surpassed last year's totals, though some assistance may have come from the presence of an extra day in May this year. For the country as a whole, sales came within 2% of a year ago, a good record in view of the still low price level. Life insurance salesmen, sorely pressed by the various state restrictions on policy loans, probably worked hard last month, but they succeeded in pushing total sales to the highest point this year. Every class of insurance showed a gain compared with April, contrary to the situation in the past 2 years with a single exception.

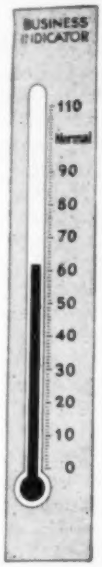
Power at Peak

The surprising right-about-face of electric power consumption reflects the broad expansion of industrial activity better than any other single indicator. Responding to the first feeble demands late in March, electric power production has made an almost unbroken beeline to the peak level of the year. Considering that the usual trend in the spring is downward, we realize that the industrial demand has been sufficient to overcome the decline in domestic use. The latest monthly analysis covering April already reveals the strength of industrial consumption. Only large commercial consumers used more power in April than in March, narrowing the spread from 1932 for this class from 15.8% to 7%.

For the week ending June 10, further gains are noted in the New England and Central industrial states, the former using 14.5% more power than a year

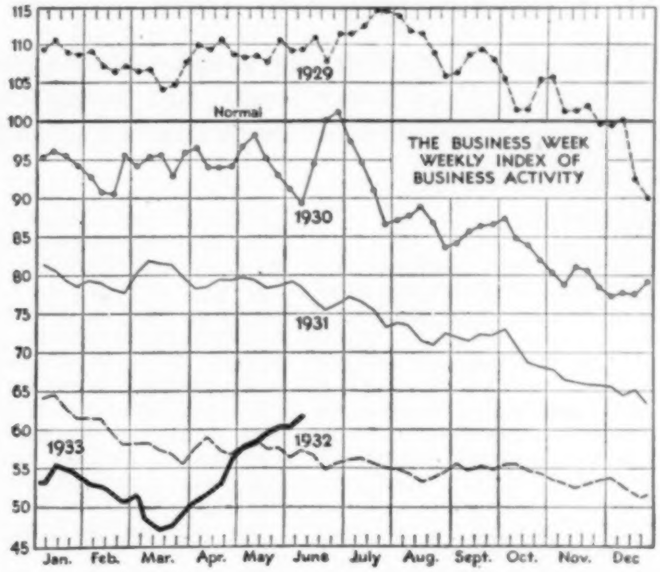
THE BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*	*Five-Year Average (1928-1932)*
	*62.0	†60.7	57.2	
PRODUCTION				
Steel Ingot Operation (% of capacity)	46	45	18	60
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$2,978	$2,904	$5,700	$16,325
Bituminous Coal (daily average, 1,000 tons)	*910	853	687	1,238
Electric Power (millions K. W. H.)	1,542	1,461	1,435	1,577
TRADE				
Total Carloadings (daily average, 1,000 cars)	92	90	81	142
Miscellaneous and L. C. L. Carloadings (daily average, 1,000 cars)	63	62	59	94
Check Payments (outside N. Y. City, millions)	$2,938	†$2,327	$3,004	$4,915
Money in Circulation (daily average, millions)	$5,784	$5,814	$5,473	$4,832
PRICES (*Average for the Week*)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.71	$.69	$.48	$.94
Cotton (middling, New York, lb.)	$.093	$.092	$.051	$.139
Iron and Steel (STEEL composite, ton)	$28.75	$28.59	$29.56	$33.337
Copper (electrolytic, f.o.b. refinery, lb.)	$.078	$.078	$.052	$.116
All Commodities (Fisher's Index, 1926 = 100)	62.7	62.1	59.6	82.1
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)	$2,216	$2,213	$2,199	$1,400
Total Loans and Investments, Federal Reserve reporting member banks (millions)	$16,485	$16,426	$16,590	......
Commercial Loans, Federal Reserve reporting member banks (millions)	$4,769	$4,772	$5,638	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,742	$3,713	$4,226	......
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	$699	$635	$373	$3,162
Stock Prices (average 100 stocks, Herald Tribune)	$100.12	$99.09	$76.57	$139.90
Bond Prices (Dow, Jones, average 40 bonds)	$84.60	$84.25	$70.54	$90.31
Interest Rates—Call Loans (daily average, renewal)	1%	1%	2.5%	4%
Interest Rates—Prime Commercial Paper (4-6 months)	1¾-2%	2%	2½-3%	3.7%
Business Failures (Dun and Bradstreet, number)	401	378	571	488

*Preliminary †Revised



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.



ago, while the latter showed a gain of 10%. The country as a whole is 7.4% ahead of a year ago.

Though warm weather has arrived, the steel industry has not called a halt to its rapid expansion. Orders continue to reach the steel centers from the same customers who have supported its activity all spring—motor manufacturers, and a host of miscellaneous manufacturers of refrigerators, air-conditioning equipment, beer barrels, typewriters, and others. Unfilled orders of the U. S. Steel Corp. rose in May for the second consecutive month, following the low point of March. Backlogs now aggregate 1,929,815 tons, the highest since December, with a prospect of passing the 2-million mark this month. That such tonnage should have been accumulated in spite of an operating rate rising to 36% of capacity is held a favorable omen. Shipments made during the month are thought to have been substantial, as consumers are a bit uneasy about their low inventories and rising steel prices.

Control Worries

Concern over the industrial control measures is apparent among steel leaders, since this industry is one of the first major branches to be tackled. Hesitation to quote prices on third quarter deliveries is symptomatic of this uncertainty over the future implications of the new law. If wages are to be raised and hours shortened, an effort will probably be made to offset these added expenses by further price increases. *Steel* feels that after July 1, contracts will be made on a one month or even shorter basis.

Motor production and sales continue to maintain a good pace, and the prospects for the rest of June and July still seem rosy. General Motors sold 85,969 cars to consumers in May compared with 71,599 in April and 63,500 a year ago. This 20% increase in May is unusual; few years in the past 12 have managed to improve their April volumes. During the first 5 months, consumer sales have run 3% ahead of the same period of 1932.

Steel Dividend Increase

The first dividend increase in the steel industry was reported by the National Steel Corp. on the basis of improved earnings during the second quarter. This concern is unique among steel companies in being able to operate in the black during the entire depression.

Tin plate activity remains strong at 90% of capacity. To swell its ample domestic backlog, the industry received an order for 200,000 boxes for export.

With the huge public works appropriation provided for in the industrial recovery legislation, both the steel and construction industries may look forward to additional stimulation. Already bids have been called for to start operations on a large number of federal buildings. Public roads are also on the table for early consideration, in addition to a large volume of other projects which have been long held up for lack of adequate financing. The railroads may look askance at this additional aid to their competitor, the automobile, but their objections are not likely to swerve the Administration from its aim of putting a million or more men to work as soon as possible.

Signing of the Home Owners' Loan Bill enabling the refunding of mortgages on homes valued at under $20,000 marks a step in the easing of the mortgage market. In affixing his signature to the bill, the President requested mortgage holders to forbear foreclosure proceedings until the machinery of the act has had an opportunity to bring aid.

On the whole, commodity prices have held and in many instances bettered recently attained levels. Irregularities marked silk, hides, cocoa, hogs, sugar, and rubber, but the grains took advantage of the deteriorating effect of the extremely warm weather in crop growing states. Wheat, oats, and rye futures reached the highest levels since 1931.

Metal Business Good

Non-ferrous metals experienced another week of good volume, particularly in lead and zinc, where tonnage ran up to several thousand tons. Tin reached 45½¢ a pound. Activity in the tin plate industry and also demand for beer dispensing apparatus has provided strong consumer demand. Copper prices held at 8¢ delivered. Here concern over the industrial control bill is also apparent.

Carloadings during the holiday week ending June 3 declined only moderately, lifting the gain over 1932 to 13.5%, the best of the year. While earnings have greatly improved under the rising traffic volume, the roads have not retracted on the necessity for a wage cut. The protection of the bankruptcy act was finally sought by the Chicago, Rock Island & Pacific Railroad after its request for loans to meet July 1 maturities was refused by the R.F.C. The road, one of the largest in the country, is controlled by the St. Louis, San Francisco, also in receivership.

The Financial Markets

Wall Street is in a profit-taking mood. Stocks and commodities "react" to lower levels, but bonds continue up. Federal Reserve banks mark time on open-market buying program.

Money

WHAT Wall Street euphemistically labels "the reaction" has finally set in. In the mystic parlance of the Street it is not conceivable that markets should be stable or should rise steadily. If the market advances for any length of time Wall Street believes that a reaction is inevitable and sits down and waits for it, even though fundamental conditions may clearly point to further upturn. Usually, an excuse is trotted out to explain the reaction. In this case, Wall Street is explaining the drop in prices of all commodities and the sharp recessions in stocks on the grounds that the widely heralded and loudly acclaimed World Economic Conference has gotten off to a very inauspicious start.

Of course, the bleak outlook may really be due to blasted hopes, or, what is more likely, Wall Street may be in a profit-taking mood. The volume of selling may be merely the consequence of the liquidation of long positions by speculators. Moreover, the observer cannot help noticing that the speculative winds on all exchanges swung with the position of the dollar in the foreign exchange market. The emphatic strength of the dollar has brought heavy selling of stocks and commodities. In one day last week the pound lost 9¢, and coincidentally wheat went almost 1¢ lower and cotton sagged off 7 to 13 points.

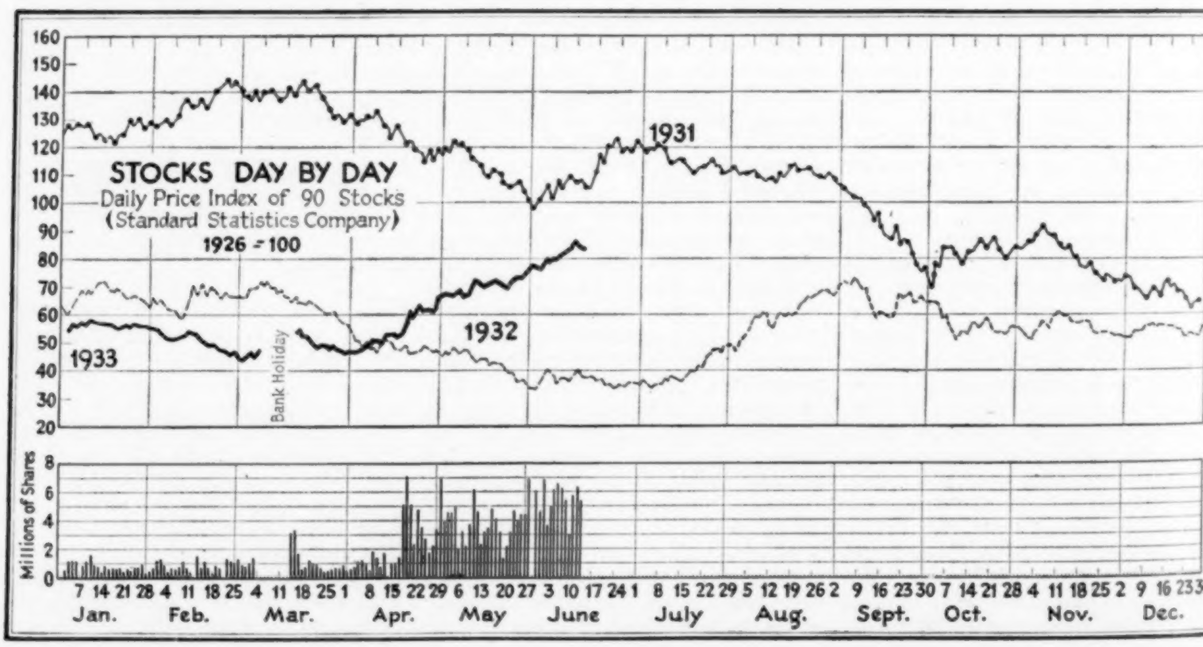
A bit of disturbing news which was hurried over was the closing of a large bank in Michigan with $11 millions of deposits. It is expected, however, that public confidence in the banks will be maintained, especially in the smaller units, because of the passage of the Glass-Steagall Banking bill, carrying with it provisions for limited insurance of deposits, which can be made operative at once by Presidential proclamation.

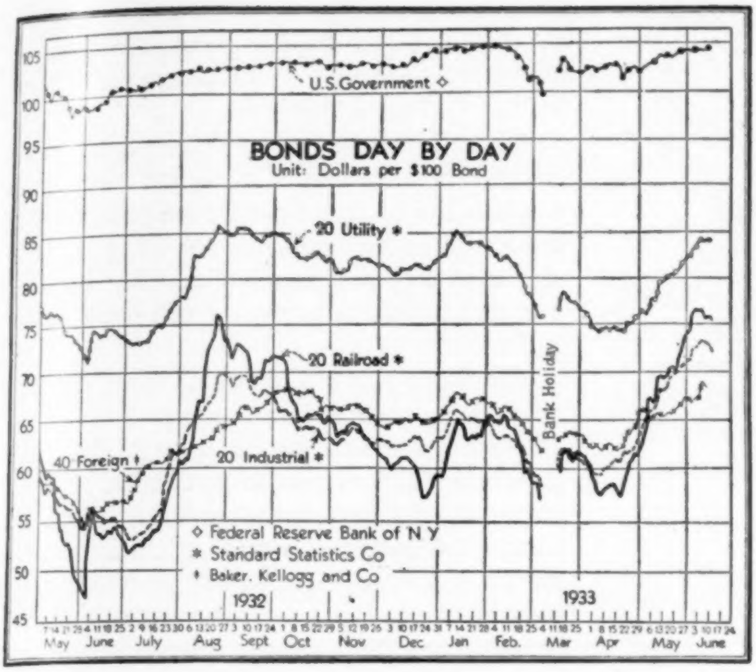
But beyond the reports from London and Michigan, there was a steady stream of favorable news, including indications of better business activity by virtually every one of the business indices, more corporation activity and a rapid clearing up in Washington of important legislation, such as the Recovery bill, the Home Loan Relief bill, and the Glass-Steagall Banking bill. Especially encouraging was the report that sales of new life insurance, at $645 millions during May, shows a decline of only 15% from the same month in 1932. This contrasts with the decline of 22% in April and 35% in January. Improvement in insurance sales, when coupled with declining trend in policy loans and policy lapses, promises an early revival of new investment by insurance companies.

The policy of the Federal Reserve banks is an enigma. In the 2 weeks ended May 31 the Reserve bank bought $53 millions of government securities and sold $65 millions worth of bills. For the week ended June 7, they bought $22 millions worth of securities and sold $7 millions worth of bills. The net result of these transactions is not impressive. It does not appear that the Reserve banks are living up to the announcement of the Secretary of the Treasury that open market operations at the rate of $25 millions a week would be resorted to. Of course, this kind of financial juggling cannot go on much longer. On June 7, total holdings of bills were only $11 millions.

On the other hand, loans and investments have been showing a surprisingly satisfactory increase. The loans alone have increased $26 millions and investments $33 millions. Net demand deposits show a rise of $65 millions.

Of course, resumption of open market operations is intended to have the effect of lowering money rates. But money rates in the financial centers are already at very low levels and in fact it is difficult to see how they can be reduced much more. What is significant is that the rates charged to customers of banks in the interior are still very high. In 8 of the larger Northern and Eastern cities the average rate for April was 5.09%; in 27 Southern and Western cities it was 5.68%; in the smaller town rates varied from 8% to 12%. These figures contrast with a customer rate in New York City of 4.33%, with commercial paper rates of





1¾%, and time and call loans at 1%. Bankers' acceptances for 30 days are bringing ½%.

Business revival in large measure must get its impetus from the interior where, apparently, money is still scarce. The problem that the Administration and the Federal Reserve banks must face is to open as rapidly as possible the closed banks and make credit available for productive enterprises in the interior.

Bonds

THE bond market continues to confound all those who have predicted that, because of inflation, bonds would necessarily be weakened. When bonds continued strong in spite of the sharp advances in commodities and stocks, it was explained that the strength was artificial and was due to purchases, or expected purchases, of government obligations by the Federal Reserve banks. However, the Federal Reserve banks have not entered the market to any important extent to buy bonds, yet the bond market continues to roar along, paying very little attention to the gyrations of stocks, foreign exchange or commodities.

Government bonds stay especially strong and all high-grade bonds are in demand. Secondary securities, after some hesitation, have continued to spurt. Low-priced rails show the largest advances. Traction bonds, and issues of Western Union and I.T.&T. also made sharp gains. There has been a rally in some of the foreign bonds, especially Brazilian government issues. German government bonds have turned about and now are slightly stronger.

Stocks

STOCKS, after reaching the highest point since September, 1931, have now turned down and are losing ground daily. Total losses, however, have not yet been sufficient to wipe out more than a fraction of the gains since the bank holiday. The downward trend coincided sharply with the value of the dollar on the foreign exchanges.

However, the strength of the dollar and the drop in stocks, while timed together, are not necessarily related. The opinion is that the market was in an over-bought condition. The ultimate strength of the dollar on foreign exchanges was expected by the initiates, and its weakness can only be explained by large short selling in the hope that the government, through some stabilization fund, would undertake to keep the dollar low abroad. Since the Administration has intimated that no such stabilization is contemplated, and if adopted later, it is likely to be along the lines of the Sprague plan of a single joint fund to support both dollars and sterling, there was no further point in expecting additional declines.

Weakness of stocks, therefore, need not necessarily be associated with the strength of the dollar. In fact the stock market is going distinctly against the business trend. Industrial activity is looking up and ultimately the market must go in the same direction.

THE BUSINESS WEEK
The Journal of Business News and Interpretation
June 17, 1933

A War Congress

MANY Congresses have come and gone almost unremarked; there is no likelihood that the briefest history of the United States ever will omit to mention the special session of 1933. In three months, it enacted more and broader legislation than any previous session, save perhaps in wartime.

Indeed, it behaved like a war Congress. It came into office on the wave of a great popular upheaval, deeply impressed with the fact that the people wanted things done and no mistake about it. On the day it was sworn into office, it was sobered and stunned by the national banking disaster. It faced an emergency comparable in gravity to war; it had as impressive a demonstration of united nation will.

With a minimum of partisanship and of haggling, with a maximum of expedition, it proceeded to cope with the situation. As in wartime, it placed in the hands of the executive, for the period of the emergency, vast powers which ordinarily it guards jealously from encroachment.

It refused to be turned from this course by taunts of "abdication" or cries of "dictatorship." To delegate is not to relinquish; great powers have been delegated to the executive before, and always recovered when the emergency was passed. Nor is this a dictatorship. Dictators are not named by the normal procedure of strong constitutional governments; they seize power from weak governments, overthrowing constitutions.

There is a current theory that the President asked for these broad powers just as he might insist that a small boy give up a gun—for fear the irresponsible youngster might shoot wildly, not because he intended to use the weapon himself. That seems to us a preposterous interpretation. The wolves of depression have to be shot, and without the delay inherent in deliberative procedure. It is essentially a one-man job.

It is argued that now the powers need not be used, and therefore should not be. Recovery, so runs the argument, has gained sufficient momentum to carry it on to prosperity without further "artificial" measures.

Well, in the first place, the whole money, credit, and price system on which business depends is the most completely artificial thing in the world, and there is no such thing as "natural" recovery, and never was. But brushing past that point, the argument will not stand examination.

The major part of the task of rebuilding economic health remains to be done.

What has caused the rise in prices? Anticipation of a further rise, to be effected by deliberate cheapening of the dollar. What has caused the increase in production, in employment? Again, anticipation that prices are going to hold, and to increase their gains, so that business will be profitable, and debts payable. The increase in production and in payrolls does, indeed, tend to provide buying power that will help to sustain itself, but industry cannot live on itself; it must have the support as well of the rest of the population.

Suppose one of these days the markets come to the conclusion that it was a false alarm—that nothing really effective is going to be done, after all. Then what happens to prices—especially farm prices? And if prices collapse again, what price recovery?

The Administration is pledged to raise the price level. It cannot turn back. It may be satisfied to withhold further vigorous action so long as prices keep an upward trend. It may well feel that the rise is better for being not too spectacular. But at the first sign of faltering, the President's vast powers must inevitably be brought into play.

One crucial time, to hazard a guess, will be when the world begins to sense that the London conference is not going to solve all its troubles.

Published weekly by the McGraw-Hill Publishing Company, Inc. 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Price 20c. Subscription: $5.00 a year, U. S. A. and possessions. Foreign $7.50. Cable code, Mcgrawhill
Publishing Director, Jay E. Mason

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